

Comprehensive Annual Financial Report

**Fiscal Year Ended
June 30, 2006**



*Midlands
Technical
College*

Included in the Higher Education Funds of the State of South Carolina

MIDLANDS TECHNICAL COLLEGE

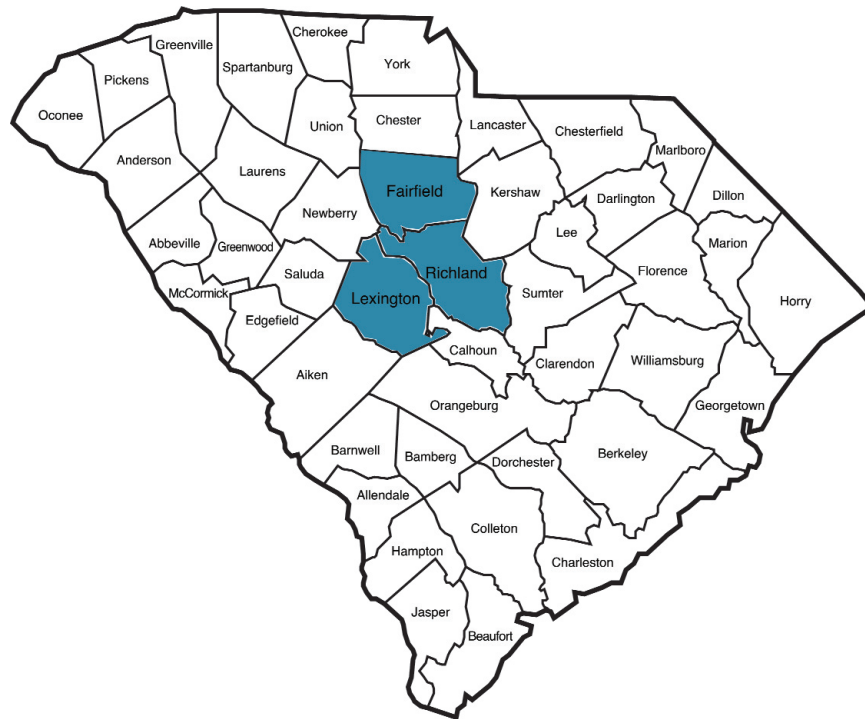
Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2006

A college included in the higher education funds of the state of South Carolina

Statement of Mission

Midlands Technical College is a comprehensive, urban, public, two-year college serving the primary region of Richland, Lexington and Fairfield counties of South Carolina. College programs and services provide accessible, affordable, high-quality post-secondary education that prepares traditional and nontraditional students to enter the job market, allows them to transfer to senior colleges and universities, and assists them in achieving their professional and personal goals. Through its programs and services, the college equitably provides higher education opportunities and supports the economic growth of the community.



*Prepared by
the Finance and Accounting Office*

*Dr. Ronald L. Rhames
Vice President for Business Affairs*

*Debbie M. Walker, CGFO, M.B.A.
Associate Vice President for Business Affairs*

*Ian A. MacLean, C.P.A., CGFO
Director of Finance and Accounting*

MIDLANDS TECHNICAL COLLEGE

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2006

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PRESIDENT'S LETTER

September 30, 2006

Members of the Midlands Technical College Commission and the Community:

I am pleased to present the *Comprehensive Annual Financial Report* (CAFR) for the fiscal year 2005-2006. Each year the College publishes the CAFR to provide relevant information concerning its operations and financial position.

The past fiscal year was significant for the College in terms of physical growth and financial support. The College's budget requests to all three counties were funded at 100 percent. The College also received additional state funding to expand its Associate Degree Nursing Program. Midlands Technical College received \$1.9 million from a U.S. Department of Labor Employment and Training Administration Community Based Job Training Grant to provide enhanced access to students seeking careers in health services in its tri-county service area. Midlands Technical College was also fully funded in a variety of other federal programs including Educational Talent Search and the Midlands Technical College Educational Opportunity Center.

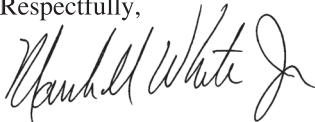
Facility plans were announced to complement the growth of the college and to reach into underserved areas. Plans include a new education facility in Batesburg/Leesville in rural Lexington County, expansion of the Midlands Technical College Northeast Campus and its Enterprise Campus with a Business Accelerator building, capital improvements on both the Beltline and Airport campuses, and classroom and auditorium construction on the Harbison Campus.

The college continues to expand collaborative ventures with baccalaureate institutions, entrepreneurs, economic development entities, and K-12 partnerships inclusive of all eight school districts in the institution's service area and the Midlands Education and Business Alliance (MEBA).

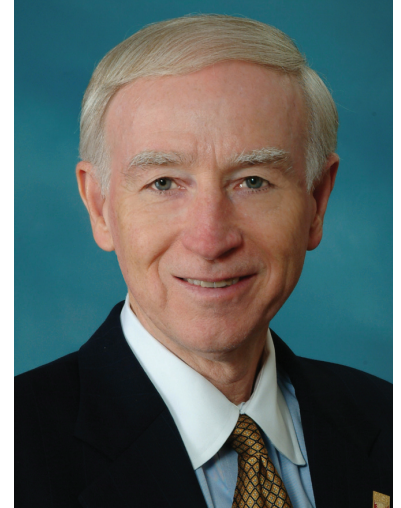
Additionally, the Midlands Technical College Foundation's capital campaign, *Investing in the Future*, neared its \$5 million goal. The Midlands Technical College Foundation Board continues to be a source of private funding which enhances the college's ability to serve its community.

This is the tenth consecutive year Midlands Technical College has received the prestigious national award from the Government Finance Officers Association of the United States and Canada for its financial reporting. I am pleased to announce, as detailed in this CAFR, that the College is in a strong financial position.

Respectfully,



Dr. Marshall (Sonny) White, Jr.
President





September 30, 2006

To: the Midlands Technical College Commission, the President, the Executive Council and the community served by Midlands Technical College:

We are pleased to present the *Comprehensive Annual Financial Report* (CAFR) of Midlands Technical College for the fiscal year ended June 30, 2006.

State law, federal guidelines and certain debt covenants require an annual audit of the College's financial records. The College has contracted with the independent certified public accounting firm of Deloach and Williamson, L.L.P. to perform the annual audit of its financial statements and federal assistance programs. The Independent Auditor's Report is included in the financial section of this CAFR and reflects an unqualified opinion on the basic financial statements. As a recipient of federal financial awards, the College complies with the requirements of the Single Audit Act, and separate single-audit reports have been issued, which are included in the Federal Awards section.

The management of the College is responsible for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the information presented is accurate in all material respects and is comparable to peer institutions. All disclosures have been included that will provide the reader with a reasonable understanding of the College's financial activities that support its mission.

The management of the College is responsible for establishing and maintaining the framework of internal control. In fulfilling this responsibility, estimates and judgments are required to assess the expected benefits and related costs of policies and procedures related to the internal control framework. The system of internal control is designed to ensure that certain organizational objectives are met. Accordingly, organizational structure, policies and procedures have been established to safeguard assets; ensure the reliability of accounting data; promote efficient operations; and ensure compliance with established governmental laws, regulations and policies, college policies, and other requirements of those to whom the College is accountable. The internal accounting control structure is

designed to provide reasonable, not absolute, assurance that these objectives are met.

The Management's Discussion and Analysis included in the Financial Section provides a detailed explanation of the changes in financial reporting from the prior year and the resulting effects of those changes, and should be read in conjunction with this letter of transmittal.

This *Comprehensive Annual Financial Report* is organized into four sections:

The **Introductory Section** includes this transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting awarded to MTC for the fiscal year ended June 30, 2005, the members of the College's governing board and



principal officials, an organizational chart representing the structure of the College, and the college-wide goals and priority initiatives.

The **Financial Section** includes the report of our auditors, Deloach and Williamson, L.L.P., which expresses an unqualified opinion on the basic financial statements. Management's Discussion and Analysis, the basic financial statements and accompanying notes are also included in this section. The basic financial statements are prepared in accordance with generally accepted accounting principles for public colleges and universities, as defined by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the Industry Audit Guide, Audits of State and Local Government, OMB Circular A-133, Audits of States, Local

Governments and Non-Profit Organizations and the National Association of College and University Business Officers in College and University Business Administration.

During fiscal year 2006, GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*; GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*; and GASB Statement No. 47, *Accounting for Termination Benefits* were implemented.

The **Federal Awards Section** contains the Schedule of Expenditures of Federal Awards and accompanying notes, reports of compliance on internal controls in accordance with Government Auditing Standards and with OMB Circular A-133 and the Schedule of Findings and Questioned Costs. This section also includes the Independent Accountant's Report on State Lottery Tuition Assistance, which is required by the laws of the State of South Carolina.

The **Statistical Section** has been revised during the current reporting year. The College has implemented GASB Statement No. 44, *Economic Condition Reporting*. The Statistical Section provides guidance on the tables and narrative explanations in the statistical section.

PROFILE OF THE COLLEGE

Midlands Technical College is one of 16 colleges included in the South Carolina Technical College System. The State Board for Technical and Comprehensive Education, an agency of the State of South Carolina, governs the system. Midlands Technical College is a comprehensive, public two-year institution that serves Richland, Lexington and Fairfield Counties in the Central Midlands region of South Carolina. The College has four campuses, two in Lexington County and two in Richland County, and a teaching location at Fort Jackson that serves enlisted personnel and civilians. The College also delivers instruction in various businesses, industries and public schools located in its service area. It also provides opportunities for students to take classes on the internet that lead to a degree.

The College's governing board, the Commission, is appointed by the Governor of South Carolina upon the recommendation of the legislative delegations from Richland and Lexington counties. There are 12 Commissioners who are appointed for four-year terms. Currently, there are five Commissioners from Lexington County and seven from Richland County. Officers are elected every two years, with the chairmanship alternated between the two counties.



State law mandates Richland and Lexington counties to provide sufficient funding to build, maintain and operate the College's physical plant. The division of financial responsibility is based on population and is used each year for budget request purposes. The current distribution is 60 percent for Richland County and 40 percent for Lexington County.

Fairfield County also provides financial support by funding the difference between the in-county tuition rate and the in-state tuition rate for its residents who attend the College. Fairfield County provided 1.8 percent of the county support for the current fiscal year. Midlands Technical College is part of South Carolina's primary government and is included in the Comprehensive Annual Financial Report of the state.

The Midlands Technical College Foundation, Inc. (the Foundation) is a nonprofit organization that was formed August 12, 1970 to benefit and support education at Midlands Technical College. It is a legally separate tax exempt component unit of the College. The Foundation acts primarily as a fund raising organization to supplement the resources that are available to the College in support of its programs. A separate board of directors governs the Foundation. The 39-member board of the Foundation is self-perpetuating and consists of graduates and friends of the College. The activity of the Foundation is included separately in the College's financial statements.

The Midlands Technical College Enterprise Campus Authority (The Authority) was established in 2004 by S. C. Act 200, codified as sub-article 3, Article 20, Chapter 53, Title 59 of the 1976 South Carolina Code of Laws, as amended. For accounting purposes, the Authority is

considered a component unit of Midlands Technical College. The Authority was established to provide for the management, development and operation of the Enterprise Campus of Midlands Technical College, located on the Northeast Campus. The Board of the Authority consists of the members of the Midlands Technical College Commission, all serving ex-officio. The activity of the Authority is blended in the financial statements of the college.



The College's strategic planning process includes extensive planning in preparation of the budget. The original operating budget is based on preliminary estimates and is approved by the Commission in May of each year. During its October meeting, the Commission approves the revised budget, which is prepared after major sources of revenue are known. An annual facility plan,

which outlines the needs for operations and maintenance of plant facilities, is used for the budget request to the counties. A longer term facility plan is prepared, reviewed and updated annually as the College's initiatives are revised.

The College maintains controls in line-item budgets, budget transfer restrictions and in the use of an encumbrance accounting system. These budgetary controls ensure compliance with the annual budget adopted by the governing board. As demonstrated by the financial statements and schedules included in the financial section of this report, College management continues to meet its responsibility for sound fiscal administration.

ECONOMIC CONDITIONS

Fiscal year 2005 – 2006 was a relatively stable year for the College economically. The state's economy continued to strengthen during the fiscal year. State revenues for the College increased slightly. However, appropriations to higher education continue to lag as the state struggles to meet other competing priorities.

The state's economic outlook for fiscal year 2006 – 2007 is projected to continue its growth pattern. While the state may not reduce expenditures for higher education, the College can not reasonably expect an increase in state support. Thus,

maintaining the current level of funding in the future will essentially translate to a budget reduction, since the College anticipates increased demand on college resources by students and the community. Additionally the College will have limited ability to pass these costs on to students.

To help meet this increased demand, the College will increase student tuition and fees by 3.44 percent for the academic year beginning in the fall semester 2006 – 2007. The additional revenue will be primarily used to fund pay increases for faculty and staff and to offset increased operating costs. However, the administration is concerned that its modest enrollment growth will continue to put pressure on revenues from students. Modest enrollment growth experienced by the College also has an adverse effect on state funding because the College's percentage share of total state dollars continues to decline as other state supported institutions are growing at a faster rate.

The local economy of the College's service area is strong. The counties of Fairfield, Lexington and Richland continue to demonstrate their commitment to the College by fully funding the College's budget requests. The College expects to receive increased revenues for operating, capital and debt service from its local sources.

The College will undertake several major initiatives during the next fiscal year that will impact its economic health. First, the College will strengthen its strategic planning process. The new process will allow the institution to focus its goals so they can be easily measured and lead to a more responsive college. Thus, as the College enters into its next strategic planning cycle, it should be better prepared to respond to the needs of the students and the community more efficiently and effectively.

Second, the College's Commission will enhance its governmental initiatives in an attempt to increase support from all levels of government. Strategies include enhancing its relationships with elected and appointed federal, state and local government leaders. The Commission and the administration will actively engage in targeted relationship building, awareness and education campaigns and actively use key community leaders to help increase the College's visibility among the state's political leadership.

Finally, the College will enhance its resource development. The College is expected to complete its first capital campaign that has raised almost \$5 million of private support. The College will continue to pursue federal grants to complement last year's success in which approximately \$4 million in grants was awarded to the College.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING



The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Midlands Technical College for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This is the College's tenth consecutive year receiving this award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report of which all content conforms to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

ACKNOWLEDGEMENTS

The timely preparation of the Comprehensive Annual Financial Report is a coordinated college-wide effort. We would like to express sincere appreciation to all employees in the Business Affairs unit who contributed to the timely closing of the College's financial records and the preparation of this report; to the Advancement's Public Affairs unit for its contributions in design, editing, printing and publication of the document; and to Advancement's Assessment, Research and Planning unit for providing statistical data. Our sincere appreciation is also expressed to other individuals who provided information as requested and to our Commission for their support of this initiative.

Sincerely,

Dr. Ronald L. Rhames
Vice President for Business Affairs

Debbie M. Walker, CGFO, M.B.A.
Associate Vice President for Business Affairs

Ian A. MacLean, C.P.A., CGFO
Director of Finance and Accounting

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Midlands Technical College
South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Ronald J. Blain".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

Midlands Technical College

Organizational Data

COMMISSION MEMBERS AND OFFICERS

Commissioner

Robert F. Dozier, Jr., Chairman
 Ronald H. Burkett, Vice Chairman
 Robert C. Lentz, Treasurer
 James Smith, Secretary
 E. Stewart Blume, Jr.
 Katie M. Bolden
 Harriet G. Fields
 Christopher M. Joye
 Judith Litman Lindau
 A. Eugene Rountree
 Peter E. Sercer
 Robert P. Wilkins, Jr.

County

Richland
 Lexington
 Richland
 Richland
 Richland
 Richland
 Lexington
 Richland
 Lexington
 Lexington
 Lexington

Term Expires

July 31, 2009
 November 16, 2006
 July 31, 2007
 July 31, 2009
 July 31, 2008
 July 31, 2008
 July 31, 2008
 July 31, 2007
 July 31, 2007
 May 11, 2007
 November 16, 2007
 November 16, 2008

COMMISSIONERS



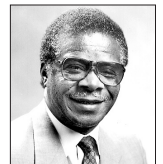
Robert F. Dozier, Jr.
Chairman



Ronald H. Burkett
Vice Chairman



Robert C. Lentz
Treasurer



James Smith
Secretary



E. Stewart Blume, Jr.



Katie M. Bolden



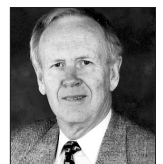
Harriet G. Fields



Christopher M. Joye



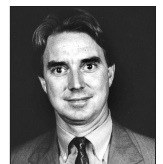
Judith Litman Lindau



A. Eugene Rountree



Peter E. Sercer



Robert P. Wilkins, Jr.



Marshall (Sonny) White, Jr.
Ex-officio
President
Midlands Technical College

EXECUTIVE COUNCIL

Marshall (Sonny) White, Jr.
 Starnell K. Bates
 Ronald L. Drayton
 Vann H. Gunter

Gina Mounfield
 Sandra L. Oliver
 Ronald L. Rhames
 Nancy Pedersen

President
 Vice President for Advancement
 Vice President for Arts and Sciences
 Vice President for Economic Development and Continuing Education
 Vice President for Career Programs
 Vice President for Student Development Services
 Vice President for Business Affairs
 Executive Assistant to the President

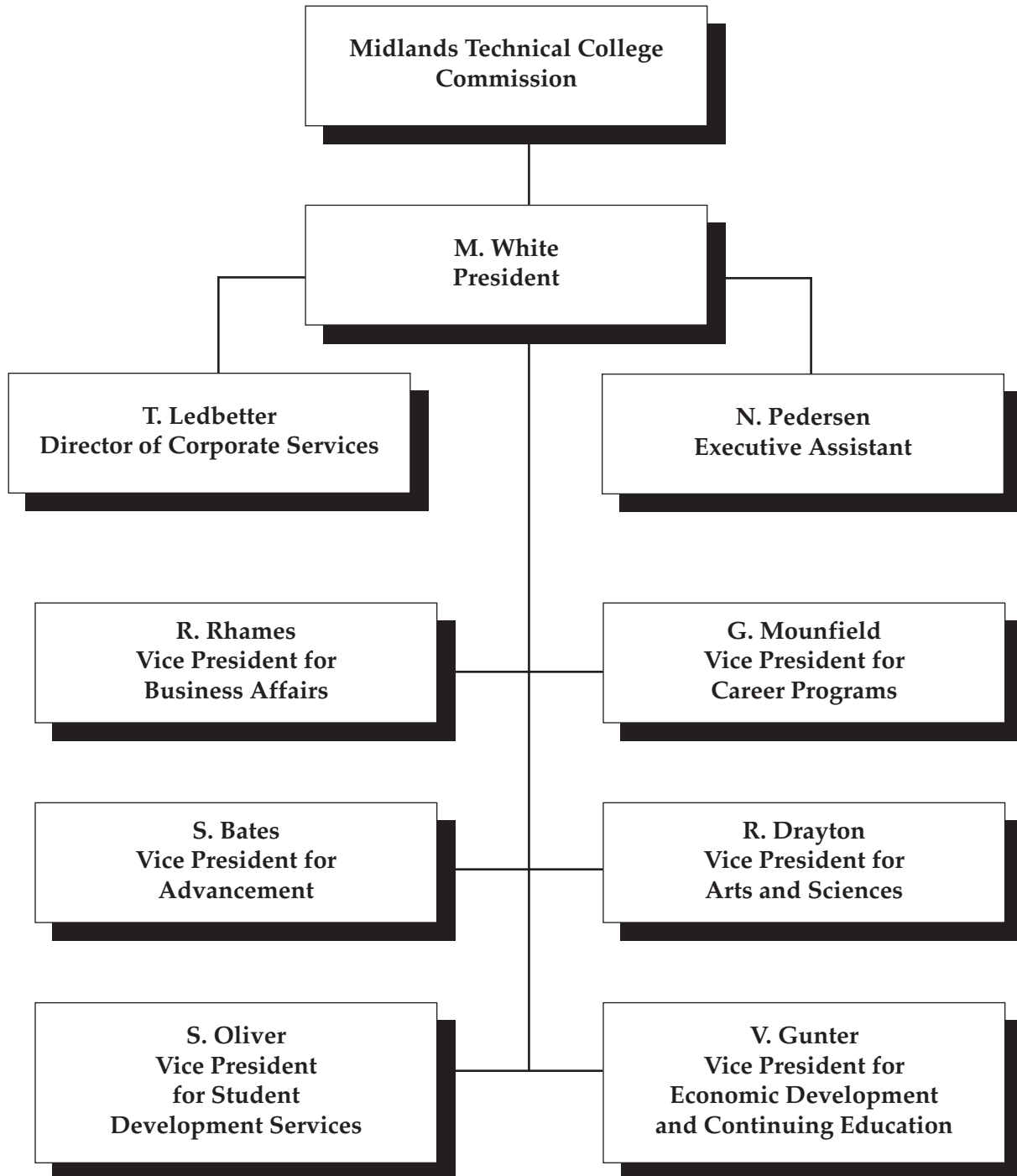
BUSINESS AFFAIRS DIVISION

Ronald L. Rhames
 Stanley Bolton
 Jeanette S. Hayes
 Craig Hess
 Anthony Hough
 Ian A. MacLean
 Marcia Medway
 Crystal Rookard
 Debbie M. Walker

Vice President for Business Affairs
 Director of Auxiliary Services
 Director of Budgets
 Director of Plant Operations
 Director of Information Resource Management
 Director of Finance and Accounting
 Director of Support Services
 Director of Human Resource Management
 Associate Vice President for Business Affairs

Midlands Technical College

Organizational Chart



Midlands Technical College

College-Wide Goals and Priority Initiatives

Goal 1: The college embraces an innovative learning environment that enhances teaching, learning and individual development.

Priority Initiatives:

1. Define and continuously refine what learning community means to MTC.
2. Develop and strengthen all aspects of programs and services.
3. Provide access to and enhance the success of at-risk populations.
4. Identify and implement student-centered learning enhancements.
5. Promote faculty and staff participation in innovative developments in their fields of study.
6. Ensure the college has state of the art multi-media equipment and connectivity to support a learner-centered culture.
7. Implement the Facilities Master Plan.
8. Foster awareness of available opportunities to all college constituencies.
9. Forge international partnerships.

Goal 2: The college prepares a workforce that is much in demand by business and industry.

Priority Initiatives:

1. Enhance information literacy skills within the curricula.
2. Improve student success through innovative teaching methodologies and the integration of current technology into the curriculum.
3. Ensure connectivity between employer demand and student awareness of career pathways.
4. Prepare students for career adaptability.
5. Improve the rate at which under-prepared students move into curriculum programs.
6. Integrate career assessment and career planning to better prepare students for current and emerging career opportunities.

Goal 3: The college collaborates with educational and community partners to create seamless curricula and quality services for the diverse population bridging K-12, two-year college and university education.

Priority Initiatives:

1. Expand course offerings, student services and articulation with senior institutions.
2. Expand collaboration and interaction with area school districts.
3. Extend the college's expertise in instructional delivery and marketing to both secondary and post-secondary partners.
4. Enhance education through community interaction and adoption of nationally recognized curricula and standards.
5. Provide effective co-curricular programs, activities and services that create a learner centered environment.
6. Integrate diversity and multi-culturalism into programs and services.

Goal 4: The college partners with community constituencies to strengthen the educational, social and economic vitality of the community.

Priority Initiatives:

1. Actively interface with economic development entities and senior institutions and participate in activities to increase business and industry development.
2. Collaborate with communities in the service area to provide accessible educational opportunities.
3. Expand and strengthen the role of program advisory committees.
4. Seek opportunities for dialogue and interaction to ensure the college is proactive in its participation in advancing the community.
5. Integrate service learning into college courses and co-curricular activities that strengthen civic responsibility and economic vitality.

Goal 5: MTC serves as a primary catalyst in economic development through education, entrepreneurship and business acceleration.

Priority Initiatives:

1. Design and implement innovative, proactive programs to address the future needs of the business community and expand the workforce.
2. Promote innovative arenas including public/private partnerships and enterprise development.
3. Respond to the changing training and development needs of new and expanding business and industry.
4. Define the scope of new initiatives and influence their perception in the community.
5. Develop a strategic master plan for the Enterprise Campus.
6. Establish programs to promote entrepreneurship.
7. Incorporate the identification of employer training and re-training needs into recruitment and outreach activities.

Goal 6: The college achieves national recognition through comprehensive, research based evaluation of programs and services.

Priority Initiatives:

1. Develop systemic processes that provide leaders with information and data to support strategic and operational decision-making.
2. Support the development and use of national and peer comparisons to measure the effectiveness and efficiency of academic and administrative performance.
3. Expand the capabilities of faculty and staff to design and conduct their own research.
4. Enhance the college's national recognition as a leader in institutional planning, effectiveness, assessment and innovative research concepts.
5. Develop and disseminate information needed to influence the direction of post-secondary education in South Carolina.
6. Develop and implement comprehensive risk management strategies.

Goal 7: The college engages in creative, entrepreneurial resource development and management.

Priority Initiatives:

1. Seek partnerships with local agencies and senior institutions to offer learning opportunities for students and professional development opportunities for faculty.
2. Continuous seek and obtain alternate funding.
3. Develop methods to conserve resources and increase revenue.
4. Position the college to maximize state and local support.

Goal 8: The college implements strategies to recruit, retain and develop exceptional faculty and staff.

Priority Initiatives:

1. Provide opportunities and funding to ensure the on-going professional development of faculty and staff.
2. Develop and implement innovative strategies for the recruitment and retention of faculty and staff.
3. Ensure accurate and meaningful communication college-wide.
4. Integrate diversity and multicultural into employment practices and professional development.

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DELOACH & WILLIAMSON, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

1401 MAIN STREET, SUITE 660
COLUMBIA, SOUTH CAROLINA 29201

PHONE: (803) 771-8855

FAX: (803) 771-6001

REPORT OF INDEPENDENT AUDITORS

The President and Members of the Commission
Midlands Technical College
Columbia, South Carolina

We have audited the accompanying basic financial statements of Midlands Technical College, (the "College") and its discretely presented component unit, Midlands Technical College Foundation, Inc. (the "Foundation"), as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Midlands Technical College and of its discretely presented component unit, Midlands Technical College Foundation, Inc., at June 30, 2006 and the respective changes in financial position and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

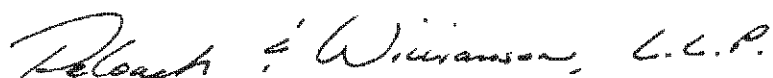
In accordance with *Government Auditing Standards*, we have also issued a report dated September 8, 2006, on our consideration of the College's internal control over financial reporting and our tests of its compliance with provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Midlands Technical College taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

Additionally, the introductory and statistical sections as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

As discussed in *Note 2* to the financial statements, management discovered certain errors in the recording of assets in the financial statements for the year ended June 30, 2005. We audited these adjustments that were applied to restate the June 30, 2005 net assets. In our opinion, such adjustments are appropriate and have been properly applied.

Robert F. Williamson, C.C.P.

September 8, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Midlands Technical College (the "College") Comprehensive Annual Financial Report presents management's discussion and analysis of the College's financial performance during the fiscal year ended June 30, 2006. This discussion should be read in conjunction with the transmittal letter, the College's basic financial statements, the component units financial statements and the notes to the financial statements.

COMPONENT UNITS

The College has included the Midlands Technical College Foundation, Inc. (the "Foundation") and the Midlands Technical College Enterprise Campus Authority (the Authority) in its financial statements in accordance with Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The Foundation is reported as a discretely presented component unit of the College. The Statement of Financial Position, the Statement of Activities and relevant note disclosures for the Foundation follow the College's financial statements. The governing body of the Authority is essentially the same board as that of the College and it provides services that benefit the College, although it does not provide services directly to the College; therefore the Authority is reported as a blended component unit and the activity is included in the financial statements of the College.

Complete financial statements for the Foundation or the Authority may be obtained by mailing a request to Midlands Technical College, Vice President for Business Affairs, Post Office Box 2408, Columbia, South Carolina 29202.

USING THIS ANNUAL REPORT

Midlands Technical College is pleased to present its financial statements for fiscal year ended June 30, 2006. Comparative financial statements are not presented in this report; however condensed data is presented in this section, which will aid the reader in assessing the changes in the College's financial position since last year. The emphasis of discussions regarding these statements will focus on the current year.

The College is engaged only in Business-Type Activities that are financed in part by fees charged to students for educational services. Accordingly, its activities are reported using the three financial statements required for proprietary funds: Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets; and, Statement of Cash Flows. These statements present financial information in a format similar to that used by the private sector.

STATEMENT OF NET ASSETS

The Statement of Net Assets provides a snapshot of the College's assets, liabilities and net assets at the end of the fiscal year. It provides the reader with information

concerning the institution's ability to continue its operations and to determine its financial stability.

Assets and liabilities are separated into current, those that are due or to be paid within the current year and non-current, those that are longer term in nature. Net Assets represents the difference between total assets and total liabilities and provides information, in part, concerning any amount available to be spent by the institution.

Net Assets are divided into three major categories. The first category, *invested in capital assets, net of related debt*, provides the equity in property, plant and equipment owned by the College. The next category, which is *restricted net assets*, is expendable in nature and has been approved by the College's governing board specifically for capital projects, and debt service, as indicated. The final category of net assets is *unrestricted*, and not subject to external stipulations. These amounts represent a designation for the Authority and the College's 30-day operating reserve.

Assets

The following schedule is a condensed version of the College's assets, liabilities and net assets and is prepared from the Statement of Net Assets.

Condensed Summary of Net Assets As of June 30, (in millions)

| | 2006 | 2005 | Increase (Decrease) | Percent Change |
|---|---------|---------|------------------------|-------------------|
| Current Assets | \$ 34.8 | \$ 33.2 | \$ 1.6 | 4.8% |
| Non-current Assets | | | | |
| Capital Assets (Net of Depreciation) | 50.7 | 52.2 | (1.5) | (2.9%) |
| Other | 1.9 | 0.8 | 1.1 | 1.5% |
| Total Assets | 87.4 | 86.2 | 1.2 | 1.4% |
| Current Liabilities | 6.4 | 7.9 | (1.5) | (19.0%) |
| Non-current Liabilities | 10.7 | 11.0 | (0.3) | (2.7%) |
| Total Liabilities | 17.1 | 18.9 | (1.8) | (9.5%) |
| Net Assets | | | | |
| Investment in Capital Assets | 41.9 | 42.3 | (0.4) | (1.0%) |
| Restricted for: Expendable | 23.0 | 20.4 | 2.6 | 12.7% |
| Unrestricted | 5.4 | 4.7 | 0.7 | 15.0% |
| Total Net Assets | \$ 70.3 | \$ 67.4 | \$ 2.9 | 4.3% |

A strong indicator of the financial health of the College for the year is in the approximate 5:1 ratio of current assets in the amount of \$34.8 million to current liabilities in the amount of \$6.4 million. The College maintains fiscally sound budget practices that provide for the conservative balance between the two categories.

Total net assets for the year were \$70.3 million, up by \$2.9 million from the prior year.

Current assets were \$1.6 million of the overall increase of \$1.2 million in total assets for the fiscal year. The increases are explained as follows:

- Cash and cash equivalents comprise approximately \$3.1 million of the increase in current assets over the prior fiscal year. Essentially this entire amount resulted from excess revenue over expenses for the fiscal year, of which \$1.0 million is the contingency. The College maintains the contingency in its annual budget for emergencies or major unforeseen expenses. Any funds in excess of the 30-day operating reserve that remain at the end of the fiscal year are authorized by the governing board for one time non-recurring needs of the college. Additional investment income of approximately \$0.5 million resulting from rising interest rates and increases of approximately \$1.1 million in gross student revenues contributed to the increase in revenues over expenses.
- Accounts Receivable decreased by approximately \$1.2 million over the prior fiscal year. A net decrease of approximately \$0.8 million was due to student receivables that met the college's criteria for write-off. The remaining net approximate \$0.5 million resulted from timing in a substantial payment from a federal agency.
- Inventories and prepaid expenses accounted for a reduction of approximately \$0.3 million.

Non-current assets include capital assets net of depreciation and other assets, which is comprised primarily of restricted cash. Capital assets net of depreciation were \$50.7 million for the year, a decrease of \$1.5 million from the prior year. Other assets increased by \$1.1 million for the year. The changes from the prior year are explained as follows:

- The College capitalized the new wing of the Student Services and the Precision Machining buildings on the Beltline Campus that accounted for a net decrease in construction in progress of \$4.0 million and an increase in buildings of \$4.6 million. An associated increase in depreciation of buildings and depreciable land improvements accounted for approximately \$2.1 million. Equipment, vehicles and other increased by approximately \$0.8 million net, which is offset by an increase in associated depreciation of \$0.8 million.
- Substantially the entire increase in restricted cash resulted from the additional .5 mil from Richland and Lexington Counties for four major initiatives that will

strengthen the economy and quality of life in the counties. The funds will be used for debt service on the \$10 million county share of the initiatives.

The following table contains an analysis of capital assets as of June 30, 2006 and 2005.

**Analysis of Capital Assets
June 30,
(in millions)**

| | 2006 | 2005 | Increase (Decrease) | Percent Change |
|---|---------|---------|------------------------|-------------------|
| Land and Improvements | \$ 5.2 | \$ 5.2 | \$ 0.0 | 0.0% |
| Construction in Progress | 0.3 | 4.3 | (4.0) | (93.0%) |
| Works of Art | 0.1 | 0.1 | (0.0) | (0.0%) |
| Buildings and Improvements | 64.7 | 60.8 | 3.9 | 6.4% |
| Machinery, Equipment, Vehicles & Other | 12.0 | 10.9 | 1.1 | 10.0% |
| Total Capital Assets | \$ 82.3 | \$ 81.3 | \$ 1.0 | 1.2% |
| Less Accumulated Depreciation | (31.6) | (29.1) | 2.5 | 8.6% |
| Capital Assets | \$ 50.7 | \$ 52.2 | \$ (1.5) | (2.9%) |

Additional information on capital asset activity may be found in the relevant disclosures in the notes to the financial statements.

Liabilities

Total liabilities were \$17.1 million, which is a net decrease of \$1.8 million over the prior fiscal year. Current liabilities decreased by \$1.5 million and non-current liabilities decreased by approximately \$0.3 million.

Decreases in Accounts Payable of approximately \$1.0 million and deferred revenue of approximately \$0.5 million accounted for the overall decrease in current liabilities. Bonds and notes payable accounted for a decrease of \$0.5 million and is offset by the increase in accrued compensated absences of \$0.2 million, providing the net decrease in non-current liabilities.

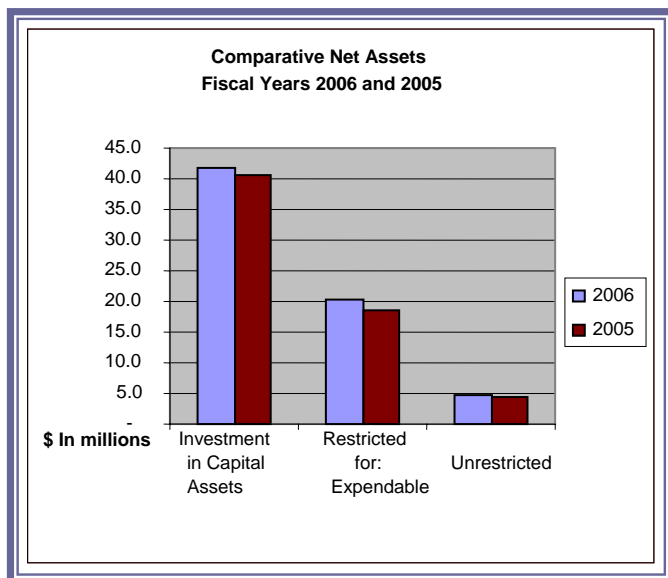
Net Assets

Total net assets at June 30, 2006 were \$70.3 million, up by \$3 million from the prior fiscal year.

Investment in capital assets declined slightly to \$41.9 million from the prior fiscal year. Restricted net assets are up by \$2.6 million and represent the increase in operations over the prior year less approximately \$0.5 million designated by the governing board for the Enterprise Campus Authority.

Unrestricted net assets are up by \$.8 million over the prior year and consist of amounts designated for the Authority totaling \$488,361, and the College's 30-day operating reserve that excludes non-essential expenses totaling \$4,951,589.

The following chart is a graphic representation of the College's Net Assets at June 30, 2006 and 2005.



STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets presents and categorizes revenues earned and expenses incurred during the year by operating and non-operating. Generally, operating revenues and expenses are those, which are received and used to carry out the mission of the College; however the College depends heavily on financial support from the state and counties for which it provides services. This support is reflected as non-operating revenue based on governmental accounting standards, therefore the College will always reflect an operating deficit and its dependence on state and local funding. Non-operating revenues and expenses offset the operating deficit and result in an overall increase in net assets for the year. State capital appropriations and capital grants and gifts are considered neither operating nor non-operating revenues and are reported below "Income before other revenues, expenses, gains or losses".

Operating Results

The following schedule summarizes the College's operating results for fiscal year ended June 30, 2006 with comparative data for fiscal year ended June 30, 2005. Certain amounts in the prior year have been reclassified to conform to current year presentation.

Condensed Summary of Revenues, Expenses and Changes in Net Assets For the fiscal year ended June 30, (in millions)

| | 2006 | 2005 | Increase (Decrease) | Percent Change |
|--|--------|--------|------------------------|-------------------|
| Operating Revenues | | | | |
| Tuition and Fees | \$22.0 | \$22.1 | \$(0.1) | (0.5%) |
| Grants and Contracts | 22.7 | 22.9 | (0.2) | (0.9%) |
| Auxiliary | 5.8 | 5.9 | (0.1) | (1.7%) |
| Other | 0.7 | 0.6 | 0.1 | 16.7% |
| Total Operating Revenues | 51.2 | 51.5 | (0.3) | (0.6%) |
| Less Operating Expenses | 77.9 | 75.9 | 2.0 | 2.6% |
| Net Operating Loss | (26.7) | (24.4) | (2.3) | (9.4%) |
| Non-operating Revenue | | | | |
| State Appropriations | 19.2 | 19.0 | 0.2 | 1.0% |
| Local Appropriations | 9.4 | 7.6 | 1.8 | 23.6% |
| Other | 1.0 | 1.6 | (0.6) | (37.5%) |
| Total Non-operating Revenue | 29.6 | 28.2 | 1.4 | 6.4% |
| Increase in Net Assets | 2.9 | 3.8 | (0.4) | (12.1%) |
| Net Assets, Beginning of Year (as restated) | 67.4 | 63.7 | 3.7 | 5.8% |
| Net Assets, End of Year | \$70.3 | \$67.5 | 2.8 | 4.0% |
| Total Revenues | \$80.8 | \$79.7 | \$ 1.1 | 1.4% |

Revenue

Total revenue increased from \$79.7 million in the prior fiscal year to \$80.8 million, an increase of \$1.1 million or 1.4 percent.

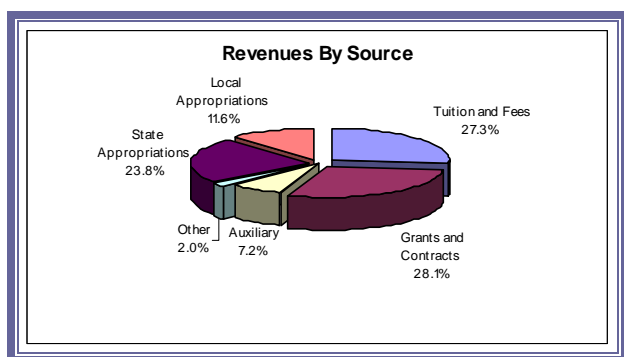
Operating revenue decreased, consistently over all sources for a total of \$0.3 million, while non-operating revenue increased by \$1.4 million.

The increases in non-operating revenue occurred primarily in local appropriations. The College received an additional .5 mil for capital purposes from the counties, which resulted in the increase.

State appropriations increased a modest \$0.2 million, while other non-operating revenue decreased by \$0.6 million, which resulted from the contribution from the Technical College System Office made in the prior year.

The following graph represents sources and percentages of revenue to the College for the fiscal year.

REVENUE BY SOURCE



Expenses

Operating expenses were \$77.9 million for the fiscal year, up by a net of \$2 million or 2.0 percent over the prior year. Salaries and benefits increased by approximately \$2.4 million, an increase of 5.5 percent. The College's governing board approved a 2 percent salary increase for employees in addition to the 3 percent approved by the state. The state allocation provides approximately 30 percent of the overall increase. New hires of permanent full time employees resulted in the remaining increase.

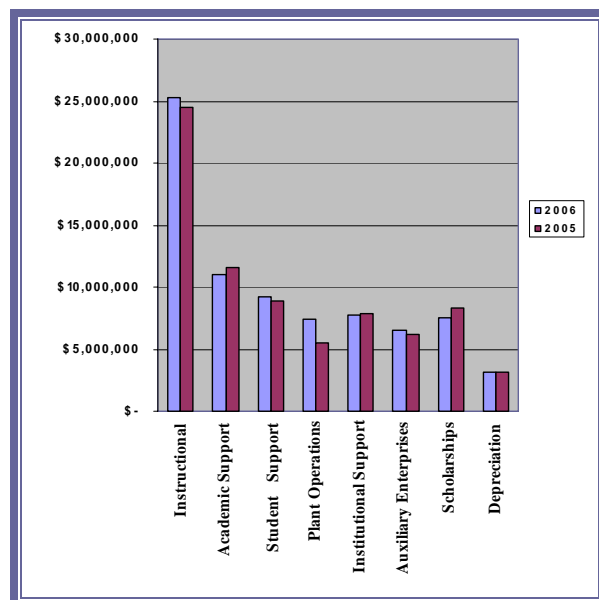
Scholarships to students declined by approximately \$0.7 million. The decrease is related to a change to the federal methodology that resulted in a decrease in eligibility for Pell and SEOG grants to students.

Utilities and supplies and other services increased slightly, by \$156,901 and \$77,567 respectively. Depreciation expense increased by approximately \$0.08 million from the prior year. Prior year depreciation expense was overstated (See Note 2 to the financial statements for more detail).

The following graphs represent operating expenses by function for fiscal year ended June 30, 2006 and a comparison of operating expenses by function for fiscal years ended 2006 and 2005.

COMPARISON OF OPERATING EXPENSES BY FUNCTION

Fiscal years 2005 and 2006

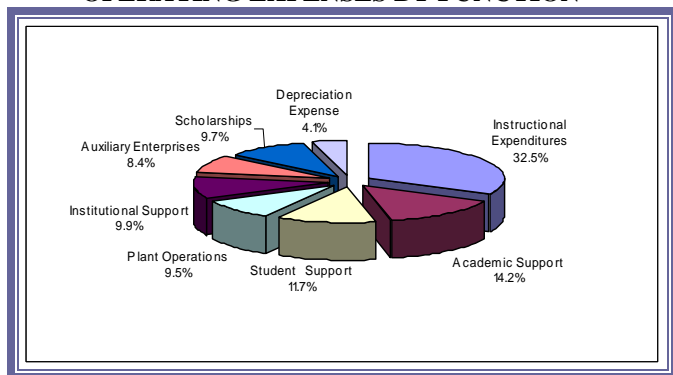


STATEMENT OF CASH FLOWS

The Statement of Cash Flows is the final statement to be presented. It presents detailed information about the cash activity of the College during the year and provides the reader with the sources and uses of cash by the major categories of operating, non-capital financing, capital and related financing, and investing activities. This statement will always show a loss in the section cash flows from operating activities due to the College's dependence on state and local appropriations.

The statement is divided into five parts. The first section reflects the operating cash flows and shows the net cash used by the operating activities of the College. The second section reflects cash flows from non-operating financing activities. This section shows the cash received and spent for non-operating, non-investing, and non-capital financing activities and addresses the cash used for the acquisition and construction of capital and related items. The third section reflects cash flows from capital and related financing activities and shows the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The final section reconciles the net cash used to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

OPERATING EXPENSES BY FUNCTION



At the bottom of page 19 a graph reflects the College's cash flow activity for the reporting period.

Cash decreased by approximately \$3.4 million from last year. Approximately \$6.6 million was used to purchase additional investments. Net cash used by capital and related financing activities was approximately \$1.6 million. Overall cash provided from non-capital financial activities included income from state and local appropriations, grants, gifts and contracts and funds held for others of approximately \$26.8 million, which offset the net cash used by operating activities of approximately \$22.0 million.

Debt Administration

The College's financial statements reflect \$8,330,000 in (general obligation) bonds payable. These bonds are general obligation bonds of the state backed by the full faith, credit and taxing power of the state. Tuition revenue is pledged up to the amount of annual debt requirements for the annual payment of principal and interest on the bonds.

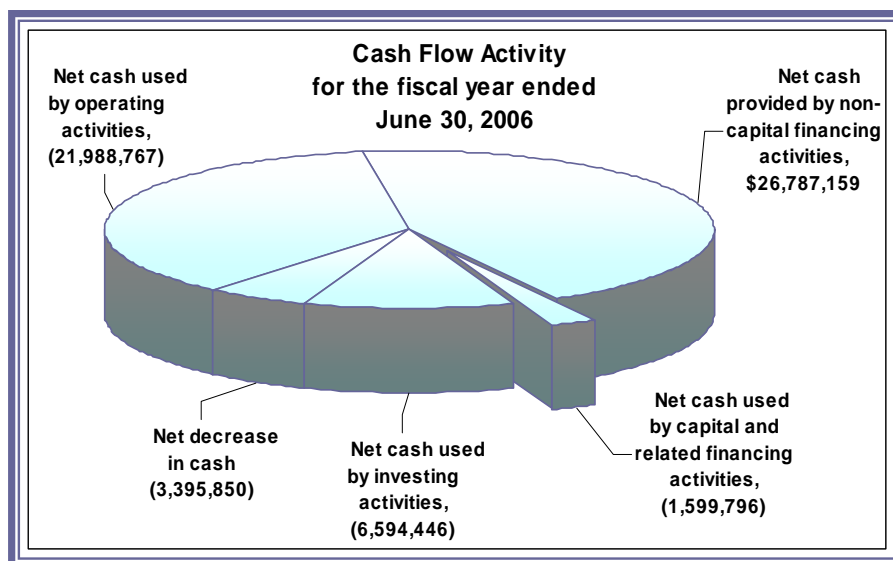
Also outstanding at June 30, 2006, is a capital lease payable in the amount of \$244,166 for equipment purchased during the year. The College partially financed an upgrade to the hardware that supports its administrative systems with proceeds from this lease. For additional information on debt administration, please refer to notes 13 and 14.

Economic Factors

The economic condition of the College is dependant to a large degree on that of the state and local governments. State funding remained relatively stable from last year. State support is used to offset salaries and benefits for college employees. As the economic condition of the state continues to improve, the College will be able to minimize increases to students and be better positioned to fund its operations. Local government support for the College remains strong and continues to provide funding for on-going maintenance, renovation and construction of new facilities.

Requests for Information

Additional information or questions concerning any of the information provided should be requested from the College's Associate Vice President for Business Affairs at Midlands Technical College, P.O. Box 2408, Columbia, SC 29202 or by e-mail at walkerd@midlandstech.edu.



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BASIC FINANCIAL STATEMENTS



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MIDLANDS TECHNICAL COLLEGE
STATEMENT OF NET ASSETS

June 30, 2006

ASSETS

Current assets:

| | |
|---------------------------|------------|
| Cash and cash equivalents | \$ 771,006 |
| Short-term investments | 28,455,567 |
| Accounts receivable, net | 3,341,035 |
| Inventories | 1,852,177 |
| Other assets | 392,672 |

| | |
|----------------------|-------------------|
| Total current assets | <u>34,812,457</u> |
|----------------------|-------------------|

Noncurrent assets:

| | |
|---|------------|
| Restricted cash and cash equivalents | 1,943,314 |
| Capital assets, net of accumulated depreciation | 50,648,948 |

| | |
|-------------------------|-------------------|
| Total noncurrent assets | <u>52,592,262</u> |
|-------------------------|-------------------|

| | |
|--------------|-------------------|
| Total assets | <u>87,404,719</u> |
|--------------|-------------------|

LIABILITIES

Current liabilities:

| | |
|---|-----------|
| Accounts payable | 1,834,997 |
| Accrued payroll and related liabilities | 649,066 |
| Funds held for others | 180,479 |
| Deferred revenue | 2,877,670 |
| Long term liabilities-current portion | |
| Bonds payable | 420,000 |
| Capital lease payable | 57,844 |
| Compensated absences | 293,064 |
| Accrued Interest Payable | 105,647 |

| | |
|---------------------------|------------------|
| Total current liabilities | <u>6,418,767</u> |
|---------------------------|------------------|

Noncurrent liabilities:

| | |
|--|-----------|
| Long term liabilities-noncurrent portion | |
| Bonds payable | 7,910,000 |
| Capital lease payable | 186,322 |
| Accrued compensated absences | 2,605,277 |
| Other noncurrent liabilities | 20,472 |

| | |
|------------------------------|-------------------|
| Total noncurrent liabilities | <u>10,722,071</u> |
|------------------------------|-------------------|

| | |
|-------------------|-------------------|
| Total liabilities | <u>17,140,838</u> |
|-------------------|-------------------|

NET ASSETS

| | |
|---|------------|
| Invested in capital assets, net of related debt | 41,863,617 |
|---|------------|

Restricted for:

Expendable:

| | |
|------------------|------------|
| Capital projects | 22,734,164 |
| Debt service | 226,150 |

| | |
|--------------|-----------|
| Unrestricted | 5,439,950 |
|--------------|-----------|

| | |
|------------------|----------------------|
| Total net assets | <u>\$ 70,263,881</u> |
|------------------|----------------------|

The accompanying notes are an integral part of these financial statements.

MIDLANDS TECHNICAL COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended
June 30, 2006

REVENUES

| | |
|--|-------------------|
| Operating revenues: | |
| Student tuition and fees (net of scholarship allowances of \$12,238,715) | \$ 21,991,171 |
| Federal grants and contracts | 13,125,843 |
| State grants and contracts | 9,263,216 |
| Nongovernmental grants and contracts | 265,726 |
| Sales and services of educational departments | 65,595 |
| Auxiliary enterprises (net of book allowances of \$1,493,153) | 5,842,028 |
| Other operating revenues | 707,089 |
| Total operating revenues | <u>51,260,668</u> |

EXPENSES

| | |
|-----------------------------|---------------------|
| Operating expenses: | |
| Salaries | 37,437,269 |
| Benefits | 8,762,729 |
| Scholarships | 7,567,105 |
| Utilities | 1,478,465 |
| Supplies and other services | 19,453,620 |
| Depreciation | 3,195,626 |
| Total operating expenses | <u>77,894,814</u> |
| Operating loss | <u>(26,634,146)</u> |

NONOPERATING REVENUES (EXPENSES)

| | |
|---|-------------------|
| State appropriations | 19,059,973 |
| Local appropriations | 7,628,088 |
| Investment income (net of investment expense of \$27,025) | 1,189,573 |
| Interest on capital asset-related debt | (316,707) |
| Federal grants and contracts | 22,816 |
| State grants and contracts | 17,978 |
| Other non-operating | (11,098) |
| Net nonoperating revenues (expenses) | <u>27,590,623</u> |
| Income before other revenues, expenses, gains, or losses | 956,477 |
| Capital grants, gifts, revenue and appropriations | |
| State capital appropriations | 181,858 |
| Local capital appropriations | 1,727,000 |
| Total capital grants, gifts, revenue and appropriations | <u>1,908,858</u> |
| Increase in net assets | 2,865,335 |

NET ASSETS

| | |
|--|----------------------|
| Net assets-beginning of year (as restated) | <u>67,398,546</u> |
| Net assets-end of year | <u>\$ 70,263,881</u> |

The accompanying notes are a integral part of these financial statements.

MIDLANDS TECHNICAL COLLEGE
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|---------------------|
| Student tuition and fees - net | \$ 23,047,796 |
| Federal, State and Local grants and contracts | 22,496,896 |
| Non governmental contracts | 265,726 |
| Sales and services of educational departments | 65,595 |
| Auxiliary enterprises charges | 5,842,028 |
| Other receipts | 707,089 |
| Payments to vendors | (28,456,780) |
| Payments to employees | (45,957,117) |
| Net cash used by operating activities | <u>(21,988,767)</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | |
|---|-------------------|
| State appropriations | 19,059,973 |
| Local appropriations | 7,659,225 |
| State, Local and Federal grants, gifts and contracts-nonoperating | 40,794 |
| Expended for Agency funds | <u>27,167</u> |
| Net cash flows provided by noncapital financing activities | <u>26,787,159</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|---|--------------------|
| Local appropriations for capital | 1,292,946 |
| State Institution Bond Revenue | 114,485 |
| Purchase of capital assets | (2,234,268) |
| Principal paid on capital debt | (450,834) |
| Interest paid on capital debt | <u>(322,125)</u> |
| Net cash used by capital and related financing activities | <u>(1,599,796)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|----------------------------|
| Proceeds from sales and maturities of investments | 25,189,737 |
| Interest on investments | 1,073,473 |
| Purchase of investments | <u>(32,857,656)</u> |
| Net cash flows used by investing activities | <u>(6,594,446)</u> |
| Net decrease in cash | (3,395,850) |
| Cash - beginning of year | <u>6,110,170</u> |
| Cash - end of year | <u><u>\$ 2,714,320</u></u> |

**Reconciliation of net operating loss to net cash
(used) by operating activities:**

| | |
|---|-------------------------------|
| Operating income (loss) | \$ (26,634,146) |
| Adjustments to reconcile net income (loss) to net cash: | |
| Depreciation expense | 3,195,626 |
| Change in assets and liabilities: | |
| Receivable, net | 1,240,736 |
| Inventories | 263,506 |
| Deferred charges and prepaid expenses | 125,571 |
| Deferred Revenue | (76,274) |
| Accounts Payable | (281,824) |
| Accrued Leave Payable | 178,038 |
| Net cash used by operating activities | <u><u>\$ (21,988,767)</u></u> |

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

| | |
|--|-------------------------|
| Noncash investing activities - Change in fair value of investments | <u>\$ 46,982</u> |
| Total noncash investing, Capital and Financing Activities | <u><u>\$ 46,982</u></u> |

The accompanying notes are an integral part of these financial statements.

MIDLANDS TECHNICAL COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
as of June 30, 2006

| | 2006 |
|-----------------------------------|---------------------|
| Assets | |
| Cash and equivalents | \$ 705,893 |
| Contributions receivable | 790,726 |
| Investments - real estate | 45,000 |
| Investments | 3,895,957 |
| Total assets | <u>\$ 5,437,576</u> |
| Liabilities and Net Assets | |
| Accounts payable | \$ - |
| Total liabilities | <u>-</u> |
| Net assets: | |
| Unrestricted – undesignated | 1,372,081 |
| Unrestricted – designated | 65,439 |
| Temporarily restricted | 1,211,672 |
| Permanently restricted | 2,788,384 |
| Total net assets | <u>5,437,576</u> |
| Total liabilities and net assets | <u>\$ 5,437,576</u> |

The accompanying notes are an integral part of these financial statements.

MIDLANDS TECHNICAL COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
for the year ended June 30, 2006

| | Unrestricted | | Temporarily | Permanently | Totals |
|---|----------------------------|-------------------------|----------------------------|----------------------------|----------------------------|
| | Undesignated | Designated | Restricted | Restricted | 2006 |
| Revenues, gains and other support | | | | | |
| Contributions | \$ 54,124 | \$ – | \$ 198,273 | \$ 44,693 | \$ 297,090 |
| Income on long-term investments | 43,993 | 11,584 | 27,641 | – | 83,218 |
| Other investment income | 11,421 | – | – | – | 11,421 |
| Net unrealized and realized gains on long-term investments | 106,801 | 10,755 | 26,012 | – | 143,568 |
| Net assets released from restrictions | | | | | |
| Satisfaction of program restrictions | – | 214,162 | (214,162) | – | – |
| Expiration of time restrictions | 135,968 | – | (136,770) | 802 | – |
| Total revenues, gains and other support | <u>352,307</u> | <u>236,501</u> | <u>(99,006)</u> | <u>45,495</u> | <u>535,297</u> |
| Expenses and losses | | | | | |
| Management and general | 24,485 | – | – | – | 24,485 |
| College support | 95,412 | 177,373 | – | – | 272,785 |
| Student support | 2,433 | 43,289 | – | – | 45,722 |
| Fund raising | – | – | – | – | – |
| Total expenses | <u>122,330</u> | <u>220,662</u> | <u>–</u> | <u>–</u> | <u>342,992</u> |
| Change in net assets | 229,977 | 15,839 | (99,006) | 45,495 | 192,305 |
| Net assets at beginning of year | <u>1,142,104</u> | <u>49,600</u> | <u>1,310,678</u> | <u>2,742,889</u> | <u>5,245,271</u> |
| Net assets at end of year | <u><u>\$ 1,372,081</u></u> | <u><u>\$ 65,439</u></u> | <u><u>\$ 1,211,672</u></u> | <u><u>\$ 2,788,384</u></u> | <u><u>\$ 5,437,576</u></u> |

The accompanying notes are an integral part of these financial statements.

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Midlands Technical College (the “College”), a member institution of the South Carolina Technical College System, provides a range of educational programs to meet the needs of the adult population of Richland, Lexington and Fairfield counties. Included in this range of programs are technical and occupational associate degree, diploma and certificate curricula that are consistent with the needs of employers in the College’s service area. As an integral part of this mission, the College provides a program of continuing education designed to satisfy the occupational demands of employers through retraining and upgrading the skills of individual employees. The College also provides a variety of developmental education programs, support services and offerings to assist students in meeting their personal and professional educational objectives.

Midlands Technical College Foundation, Inc. (“the Foundation”) is a not-for-profit organization that was formed August 12, 1970, to benefit and support education at Midlands Technical College.

Reporting Entity

The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB), consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the reporting entity are such that exclusion could cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of Midlands Technical College, as the primary government, and the accounts of Midlands Technical College Foundation (the “Foundation”), its component unit. The College is part of the primary government of the State of South Carolina. However, based on the nature and significance of the Foundation’s relationship with the State of South Carolina, the Foundation is not a component unit of the State of South Carolina.

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The thirty-nine-member board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the

donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College. The foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation’s operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial information in the College’s financial reporting entity for these differences. However, significant note disclosures to the Foundation’s financial statements have been incorporated into the College’s notes to the financial statements. Financial statements for the Foundation can be obtained by mailing a request to Midlands Technical College Foundation, Post Office Box 2408, Columbia, South Carolina 29202.

The Midlands Technical College Enterprise Campus Authority (the “Authority”) was established in 2004 by S. C. Act 200, codified as sub-article 3, Article 20, Chapter 53, Title 59 of the 1976 South Carolina Code of Laws, as amended. For accounting purposes, the Authority is considered a component unit of Midlands Technical College. The Authority was established to provide for the management, development and operation of the Enterprise Campus of Midlands Technical College, located on the Northeast Campus. The Board of the Authority consists of the members of the Midlands Technical College Commission, all serving ex-officio. The activity of the Authority is blended in the financial statements of the college.

Financial Statements

The financial statements are presented in accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College’s assets, liabilities, net assets, revenues, expenses,

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

changes in net assets and cash flows that replace the fund-group perspective previously required.

Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship expenses. All significant intra-institutional transactions have been eliminated.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates. Actual amounts may differ from the estimates.

The College has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered restricted cash equivalents.

Investments

Deposits and investments for the College are governed by the South Carolina Code of Laws, Section 11-9-660 "Investments of funds". During the year ended June 30, 2005, the College implemented GASB Statement No. 40, *Deposits and Investment Risk Disclosures – an amendment to GASB Statement No. 3*. This statement required disclosures related to deposit risks, such as custodial credit risk, and investment risks, such as credit risk (including custodial credit risk and concentrations of credit risks) and interest rate risk. The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in

unrealized gain (loss) on the fair value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net assets.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students, gift pledges and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The College follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of three years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

Deferred Revenues and Deposits

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits represent student fee refunds, and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

Compensated Absences

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as a component of current and long-term liabilities in the statement of net assets and as a component of benefit expenses in the statement of revenues, expenses, and changes in net assets.

Net Assets

The College's net assets are classified as follows:

- *Invested in capital assets, net of related debt:* This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.
- *Restricted net assets - expendable:* Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.
- *Restricted net assets - nonexpendable:* Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.
- *Unrestricted net assets:* Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to

the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The College policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources and then to unrestricted resources.

Income Taxes

The College is exempt from income taxes under the Internal Revenue Code.

Classification of Revenues and Expenses

The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

- *Operating revenues and expenses:* Operating revenues generally result from exchange transactions to provide goods or services related to the College's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services, and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the College would not otherwise undertake.
- *Non-operating revenues and expenses:* Non-operating revenues include activities that have the characteristics of non-exchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes.

Sales and Services of Educational and Other Activities

Revenues from sales and services of educational and other activities generally consist of amounts received from instructional activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. Midlands Technical College receives such revenues primarily from the automotive and dental auxiliary departments.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Auxiliary Enterprises and Internal Service Activities

Auxiliary enterprise revenues primarily represent revenues generated by bookstores, food services and vending. Revenues of internal service and auxiliary enterprise activities and the related expenditures of college departments have been eliminated.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Capitalized Interest

The College's policy is to capitalize as a component of construction in progress interest cost in excess of earnings on debt associated with capital projects that will be capitalized in the applicable capital asset categories upon completion. The College incurred \$374,335 of interest cost during the year ended June 30, 2006, of which \$316,707 was expensed and \$57,628 was capitalized.

Reclassification

Certain balances have been reclassified to conform to current year presentation.

Component Unit

The financial statements of the Foundation are presented in accordance with accounting principles generally accepted in the United States of America and are prepared on the accrual basis of accounting. Consequently, the net assets of the Foundation are reported as follows:

- *Unrestricted Undesignated* – Unrestricted Undesignated Net Assets are not subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.

- *Unrestricted Designated* – Unrestricted Designated Net Assets are not subject to donor-imposed restrictions but subject to Foundation Board imposed stipulations.
- *Temporarily Restricted* – Temporarily Restricted Net Assets are subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.
- *Permanently Restricted* – Permanently Restricted Net Assets are subject to donor-imposed stipulations that require them to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.
- *Revenue, Gains and Other Support and Expenses and Losses* – Revenues are reported as increases in unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met.

Expenses are reported as decreases in unrestricted undesignated or unrestricted designated net assets as appropriate. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted undesignated or unrestricted designated net assets unless their use is restricted by explicit donor stipulation or by law.

- *Donated Services, Goods, and Facilities* – A substantial number of volunteers have donated an undetermined number of hours to the Foundation's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills.

During the year ended June 30, 2006, the Foundation received contributed supplies and equipment valued at approximately \$24,638 from donors. Of this amount approximately \$7,638 related to operating leases of equipment loaned to the Foundation for use by the College. Substantially all contributions of equipment to the Foundation become property of the College upon receipt of the property from the donor. Accordingly, the Foundation records the contributions

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

at their fair value with offset to college support in these financial statements.

- *Use of Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- *Cash and Cash Equivalents* – Cash and cash equivalents consist of cash held in checking and money market accounts with maturities of less than 90 days. Management believes the Foundation is not exposed to any significant credit risk on cash and cash equivalents.
- *Investments* – Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment in real estate held for sale is reported at the lower of cost or market. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. Securities or other investments donated are recorded at their market value at the date of the gift.
- *Concentrations of Credit and Market Risk* – Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited to any one institution. The Foundation has not experienced any losses on its cash equivalents. Management believes that the Foundation's investment portfolio is adequately diversified among issuers. In addition, management believes that the Foundation has the ability to hold its investment portfolio during periods of temporary market declines.

- *Income Taxes* – The Foundation has received a determination from the Internal Revenue Service that it is exempt from federal income taxes under 501(c)(3) of the Internal Revenue Service.

NOTE 2 – ACCOUNTING CHANGES AND PRIOR PERIOD ADJUSTMENTS

Restatement of Beginning Net Assets

During the current year certain corrections to beginning net assets were identified. The following summarizes restatements to beginning net assets:

| | |
|---|----------------------|
| Net Assets at June 30, 2005 | \$ 67,021,145 |
| Additions to beginning net assets: | |
| Correct understatement of capital assets | 470,289 |
| Correct understatement related to blending of Enterprise Campus Authority | 30,727 |
| Reductions to beginning net assets: | |
| Correct overstatement of investment balances | <u>(123,615)</u> |
| Restated net assets at June 30, 2005 | <u>\$ 67,398,546</u> |

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 3 – STATE APPROPRIATIONS

State funds for the South Carolina Technical College System are appropriated to the State Board for Technical and Comprehensive Education (the Board), and the Board allocates funds budgeted for the technical colleges in a uniform and equitable manner. Appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and

are required to be returned to the General Fund of the State unless the Board receives authorization from the General Assembly to carry the funds over to the next year.

The following is a reconciliation of the state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2006:

| | |
|---|----------------------|
| Non-Capital Appropriations | |
| Appropriations per State Board Allocation | \$ 17,861,307 |
| Appropriations from Commission on Higher Education | |
| Academic Endowment | 1,191 |
| Appropriations from SC Education Lottery Technology Funds | 574,160 |
| Other | |
| Nursing Funding | 613,590 |
| Pathways | 9,725 |
| Total non-capital appropriations recorded as current year revenue | <u>\$ 19,059,973</u> |

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

Deposits include cash and cash equivalents on deposit in banks and held by the State Treasurer. At year-end, the College's carrying amount of deposits with banks was \$749,425. The bank balance was \$5,721,523 of which \$100,000 was covered by FDIC insurance and the balance was collateralized with securities held by a third-party financial institution (as the College's agent) in the College's name. The State Treasurer held \$1,943,314 in its pooled cash funds in the College's name.

Restricted Cash – Restricted cash includes \$1,182,675 held for debt service reserve funds and \$760,639 held for maintenance, repair and replacement, both as required by bond indentures.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the College will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The College's policy regarding custodial credit risk related to deposits is to ensure funds on deposit are obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit or collateralized repurchase agreements. Additionally, the College deposits its funds in financially sound institutions.

The College did not recognize losses due to default by counterparties.

Credit Risk – The College's policy regarding credit risk of deposits is that it only uses high quality brokers and financial institutions to manage its investment portfolios. In addition, the College's investments include only obligations of the United States Government and certificates of deposit. These types of investments are not subject to credit risk as they are fully collateralized and/or insured by the Federal Deposit Insurance Corporation. Therefore, the disclosure of quality ratings on rated debt investments is not applicable to the College.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit. The College does not maintain deposits that are denominated in a currency other than the United States dollar; and therefore, is not exposed.

Investments

The College's investments at June 30, 2006, are *not* with the South Carolina State Treasurer's Office and are alternatively held by certain financial institutions in the College's name. The fair value of investments at June 30, 2006 consists solely of certificates of deposits or United States government backed securities with maturities of less than one year. All of the securities for the reporting period were either fully collateralized or insured by the Federal Deposit Insurance Corporation.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of counterparty to a transaction, the College will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The College limits its investments to the safest types of securities and structures its investment portfolio so securities mature to meet cash requirements for ongoing operations and therefore prevents the need to sell securities prior to maturity. The College monitors its investments periodically to ensure that the collateral exceeds the market value of investments.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's policy regarding credit risk of investments is that it only uses high quality brokers and financial institutions to manage its investment portfolios. In addition, the College's investments include only obligations of the United States Government and certificates of deposit. These types of investments are not subject to credit risk as they are fully collateralized and/or insured by the Federal Deposit Insurance Corporation. Therefore, the disclosure of quality ratings on rated debt investments is not applicable to the College.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

More than 5 percent of the total investments at June 30, 2006, were in securities with one financial institution. These investments represented approximately 99 percent of total investments and were explicitly guaranteed by the United States government.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities.

All investments in the College's portfolio at June 30, 2006 have fixed rates therefore the College is not exposed to interest rate risk as it applies to debt investments.

Investment Pool – The College has deposits of \$1,943,314 held as a part of the State of South Carolina Office of State Treasurer Local Government Investment Pool. Deposit risk information relating to this investment pool may be obtained

from the State of South Carolina's Comprehensive Annual Financial Report. Copies of this report may be obtained from the South Carolina Office of the Comptroller General, 1200 Senate Street, 305 Wade Hampton Office Building, Columbia, South Carolina 29201 or by visiting the Comptroller General's website at <http://www.cg.state.sc.us/>.

A reconciliation of the College's deposits and investments on its statement of net assets to this footnote disclosure is as follows:

STATEMENT OF NET ASSETS:

| | |
|--------------------------------------|-------------------|
| Cash and cash equivalents | \$ 771,006 |
| Restricted cash and cash equivalents | 1,943,314 |
| Investments | <u>28,455,567</u> |

| | |
|-------------------------------|-----------------------------|
| TOTAL STATEMENT OF NET ASSETS | <u><u>\$ 31,169,887</u></u> |
|-------------------------------|-----------------------------|

DEPOSITS AND INVESTMENTS NOTE:

| | |
|--|-----------------------------|
| Carrying value of deposits | \$ 749,425 |
| Cash on hand | 21,580 |
| Held by State Treasurer | 1,943,314 |
| Certificates of Deposit | 350,000 |
| U.S. Government Securities | <u>28,105,568</u> |
| TOTAL DEPOSITS AND INVESTMENTS NOTE | <u><u>\$ 31,169,887</u></u> |

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Component Unit

The following summarizes the cost and fair values of investments for the Foundation at June 30, 2006

| | 2006 | |
|---------------------------|---------------------|---------------------|
| | Cost | Fair Value |
| Marketable securities: | | |
| Mutual funds-fixed income | \$ 1,321,397 | \$ 1,264,784 |
| Mutual funds- equities | 2,329,984 | 2,578,652 |
| | 3,651,381 | 3,843,436 |
| Certificate of Deposit | 52,521 | 52,521 |
| Real estate held for sale | 45,000 | 45,000 |
| | <u>\$ 3,748,902</u> | <u>\$ 3,940,957</u> |

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2006, including applicable allowances, were as follows:

Receivables:

| | |
|---------------------------------------|---------------------|
| Local government | \$ 67,373 |
| Student accounts | 2,853,954 |
| Less: allowance for uncollectibles | (1,583,531) |
| Company accounts | 939,455 |
| Federal grants and contracts | 335,036 |
| State grants and contracts | 728,143 |
| Non-governmental grants and contracts | <u>605</u> |
| Receivables, net | <u>\$ 3,341,035</u> |

The above allowance for losses for student accounts receivable is established based upon actual losses experienced in prior years and evaluations of the current account portfolio.

Contributions Receivable-Component Unit

Unconditional promises to give as of June 30, 2006 are due as follows:

| | |
|-------------------------------------|-------------------|
| Within one year | \$ 510,985 |
| One to five years | <u>387,335</u> |
| Total | 898,320 |
| Allowance for uncollectible pledges | (55,133) |
| Present value discount | <u>(52,461)</u> |
| Contributions receivable, net | <u>\$ 790,726</u> |

This discount used on long-term promises to give was 4% for 2006.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 6 – CAPITAL ASSETS

| | Beginning Balance June 30, 2005 (as restated) | Increases | Decreases | Ending Balance June 30, 2006 |
|---|--|------------------|------------------|---|
| Capital assets not being depreciated: | | | | |
| Land and improvements | \$ 5,215,485 | \$ - | \$ - | \$ 5,215,485 |
| Construction in progress | 4,312,674 | 288,085 | (4,312,673) | 288,086 |
| Works of art, historical treasures, and similar assets | 95,346 | - | - | 95,346 |
| Total capital assets not being depreciated | 9,623,505 | 288,085 | (4,312,673) | 5,598,917 |
| Other Capital assets: | | | | |
| Buildings and improvements | 56,206,222 | 4,642,924 | - | 60,849,146 |
| Machinery, equipment, and other | 10,032,427 | 1,372,385 | (678,409) | 10,726,403 |
| Vehicles | 943,956 | - | (165,607) | 778,349 |
| Depreciable land improvements | 3,837,604 | - | - | 3,837,604 |
| Intangibles | 748,760 | - | (236,010) | 512,750 |
| Total other capital assets at historical cost | 71,768,969 | 6,015,309 | (1,080,026) | 76,704,252 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (17,252,347) | (1,750,876) | - | (19,003,223) |
| Machinery, equipment, and other | (8,089,249) | (1,313,584) | 694,173 | (8,708,660) |
| Vehicles | (743,772) | (48,970) | 85,223 | (707,519) |
| Depreciable land improvements | (2,507,455) | (214,614) | - | (2,722,069) |
| Intangibles | (559,950) | - | 47,200 | (512,750) |
| Total accumulated depreciation | (29,152,773) | (3,328,044) | 826,596 | (31,654,221) |
| Other capital assets, net | 42,616,196 | 2,687,265 | (253,430) | 45,050,031 |
| Capital assets, net | \$ 52,239,701 | \$ 2,975,350 | \$ (4,566,103) | \$ 50,648,948 |

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 7 – PENSION PLANS

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to The South Carolina Retirement System, 202 Arbor Lake Drive, Columbia, South Carolina 29223. Furthermore, the Retirement System and the four pension plans are included in the CAFR of the State of South Carolina.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

South Carolina Retirement System

The majority of employees of the College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6.0 percent of all compensation. Effective July 1, 2004, the employer contribution rate became 10.80 percent, which included a 3.25 percent surcharge to fund retiree health and dental insurance coverage. The College's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2006, 2005, and 2004, were \$3,128,133, \$2,986,588, and \$2,816,020, respectively, and equaled the required contributions of 7.55 percent (excluding the surcharge) for each year. Also, the College paid employer group-life insurance contributions of \$44,905 in the current fiscal year at the rate of .15 percent of compensation.

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan administered by the Retirement Division. Generally all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2004, the employer contribution rate became 13.55 percent, which, as for the SCRS, included the 3.25 percent surcharge. The College's actual contributions to the PORS for the years ending June 30, 2006, 2005, and 2004 were \$26,101, \$22,079, and \$22,537 respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for each year. Also, the College paid employer group-life insurance contributions of \$398 and accidental death insurance contributions of \$398 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Optional Retirement Program

The State Optional Retirement Program (State ORP) was first established as the Optional Retirement Program for Higher Education in 1987. In its current form, the State ORP is an alternative to the defined benefit SCRS plan offered to certain state, public school and higher education employees of the State. The State ORP, which is administered by the South Carolina Retirement Systems, is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by investment providers. The State assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers and are governed by the terms of the contracts issued by them.

Under State law, employer contributions to the ORP are required at the same rates as for the SCRS, 7.55 percent plus the retiree surcharge of 3.25 percent from the employer in fiscal year 2006. A direct remittance is required from the employers to the investment providers for the employee

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 7 – PENSION PLANS (Continued)

contribution (6 percent) and a portion of the employer contribution (5 percent). Also, a direct remittance is required to SCRS for a portion of the employer contribution (2.55 percent), which must be retained by SCRS.

Employees are eligible for group-life insurance benefits while participating in the State ORP. However, employees who participate in the State ORP are not eligible for postretirement group-life insurance benefit.

For the fiscal year, total contribution requirements to the ORP were \$123,508 (excluding the surcharge) from Midlands Technical College as employer and \$106,331 from its employees as plan members. In addition, the College paid to the SCRS employer group-life insurance contributions of \$398 in the current fiscal year at the rate of .15 percent of compensation.

Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the College have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not make SCRS contributions, do not earn service

credit, and are ineligible to receive group life insurance benefits or disability retirement benefits.

Due to the South Carolina Supreme Court decision in *Layman et al v. South Carolina Retirement System and the State of South Carolina*, employees who chose to participate in the TERI Program, prior to July 1, 2005 will not be required to make SCRS contributions.

Subsequent Event

Effective July 1, 2006, retired SCRS or PORS members who are TERI participants working for a covered employee pays the active employee contribution. The SCRS employee contribution will increase by .25% beginning July 1, 2006, and the SCRS employer contribution will increase by .5% beginning July 1, 2006. SCRS employer contribution will increase by 1.01% effective July 1, 2007. Effective July 1, 2006 the surcharge to fund retiree health and dental insurance coverage will increase by .10%.

NOTE 8 – POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the College are eligible to receive these benefits. The State provides post employment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly to the College for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the College for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis.

The College recorded benefit expenses for these insurance benefits for active employees in the amount of \$2,916,815

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 8 – POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS (Continued)

for the year ended June 30, 2006. The College paid \$105,079 applicable to the 3.25 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to College retirees is not available. By State law, the College has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from the System's earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS and PORS benefits.

NOTE 9 – CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS

The College is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of college management, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the College's financial position.

The College participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

Necessary funding has been obtained for the acquisition, construction, renovation, and equipping of certain facilities, which will be capitalized in the applicable capital asset categories upon completion. At June 30, 2006, the College had remaining commitment balances of approximately \$1,036,682 with certain property owners, engineering firms, construction contractors, and vendors related to these projects. Other capital projects, which are not to be capitalized when completed, are for replacements, repairs, and/or renovations to existing facilities. Remaining commitment balances with certain parties related to these projects total \$33,446 at June 30, 2006.

The College anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees, local appropriations, and state capital improvement bond proceeds. The State has issued capital improvement bonds to fund improvements and expansion of state facilities. The College is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 10 – LEASE OBLIGATIONS

Operating Leases

The College leases certain office equipment under operating leases with external parties. Future minimum payments under these non-cancelable leases are as follows:

| <u>Year Ended June 30,</u> | <u>Operating Leases with External Parties</u> |
|----------------------------|---|
| 2007 | \$ 201,413 |
| 2008 | 197,532 |
| 2009 | 195,300 |
| 2010 | 167,436 |
| 2011 | — |
| Total Minimum Payments | <u>\$ 761,681</u> |

Operating lease payments disbursed to external parties during the fiscal year ended 2006 total \$199,628. The College's contingent rental payments were \$96,113 for copiers with expense determined on a cost per copy basis.

Capital Lease

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Payments</u> |
|--------------------------------|-------------------|------------------|-------------------|
| 2007 | \$ 57,844 | \$ 8,784 | \$ 66,628 |
| 2008 | 59,925 | 6,703 | 66,628 |
| 2009 | 62,081 | 4,547 | 66,628 |
| 2010 | 64,316 | 2,314 | 66,630 |
| Total | <u>\$ 244,166</u> | <u>\$ 22,348</u> | <u>\$ 266,514</u> |

Capital lease payable at June 30, 2006 consists of a lease secured by computer systems and peripheral equipment, dated May 4, 2005, payable in annual installments of \$66,628, beginning in 2006, and maturing on May 4, 2010,

at an interest rate of 3.597%, with an outstanding principal balance of \$244,166 at June 30, 2006. The cost of the equipment was \$499,300 less accumulated depreciation of \$266,127 with a net book value of \$233,173.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 11 – LINE OF CREDIT

The Commission authorized the administration to create a temporary line of credit not to exceed \$1,000,000 if needed to support the operations of the College. The line of credit was not opened during the year.

NOTE 12 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2006, are summarized as follows:

| | |
|----------------------|---------------------|
| Accounts Payable | \$ 1,600,139 |
| Student Payable | 7,472 |
| Employee Payable | 16,221 |
| Construction Payable | 205,085 |
| Retainage Payable | 6,080 |
| | <u>\$ 1,834,997</u> |

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 13 – BONDS AND NOTES PAYABLE

Bonds Payable

Bonds payable consisted of the following at June 30, 2006:

| | <u>Interest Rates</u> | <u>Maturity Dates</u> | <u>Balance</u> |
|--------------------------------|---------------------------|---------------------------|---------------------|
| General Obligation Bonds | | | |
| Series 2002C | 3.0% to 4.5% | 10/01/2021 | \$ 4,720,000 |
| Series 1998A | 4.5% to 4.7% | 03/01/2018 | <u>3,610,000</u> |
| Total General Obligation Bonds | | | <u>\$ 8,330,000</u> |

General obligation bonds of the State are backed by the full faith, credit, and taxing power of the State. Tuition revenue is pledged up to the amount of annual debt requirements for the payment of principal and interest on general obligation bonds. The legal debt margin for general obligation bonds is that the maximum amount of annual debt service shall not exceed ninety percent of the sums received from tuition bond fees for the preceding fiscal year. For the fiscal year ended June 30, 2006, the amount of receipts designated as tuition fees for state institution bonds purposes is

\$1,800,000, which results in a legal annual maximum debt service at June 30, 2006 of \$1,620,000. The annual debt service payments for the fiscal year ended June 30, 2006 were \$765,968. The additional funds will be used to service debt on a future bond issue.

The scheduled maturities of the bonds payable are as follows:

| <u>General Obligation Bonds</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Payment</u> |
|-------------------------------------|--------------------|--------------------|--------------------------|
| 2007 | \$ 420,000 | \$ 355,818 | \$ 775,818 |
| 2008 | 440,000 | 339,018 | 779,018 |
| 2009 | 465,000 | 321,874 | 786,874 |
| 2010 | 490,000 | 302,605 | 792,605 |
| 2011 | 515,000 | 282,160 | 797,160 |
| 2012 - 2016 | 3,005,000 | 1,047,630 | 4,052,630 |
| 2017 - 2021 | 2,575,000 | 358,218 | 2,933,218 |
| 2022 | 420,000 | 9,450 | 429,450 |
| Total | <u>\$8,330,000</u> | <u>\$3,016,773</u> | <u>\$11,346,773</u> |

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 14 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2006 was as follows:

| | June 30, 2005 | Additions | Reductions | June 30, 2006 | Due Within One Year |
|---------------------------------------|----------------------|---------------------|---------------------|----------------------|------------------------|
| Bonds and Note Payable | | | | | |
| General Obligation Bonds | \$ 8,725,000 | \$ - | \$ 395,000 | \$ 8,330,000 | \$ 420,000 |
| Lease Payable | 300,000 | - | 55,834 | 244,166 | 57,844 |
| Total Bonds, Notes and Capital Leases | 9,025,000 | - | 450,834 | 8,574,166 | 477,844 |
| Accrued Compensated Absences | 2,720,303 | 1,195,899 | 1,017,861 | 2,898,341 | 293,064 |
| Total Long-Term Liabilities | \$ 11,745,303 | \$ 1,195,899 | \$ 1,468,695 | \$ 11,472,507 | \$ 770,908 |

NOTE 15 – TEMPORARILY RESTRICTED NET ASSETS – COMPONENT UNIT

At June 30, 2006, temporarily restricted net assets are available for the following specific program services:

| | |
|-----------------------------|---------------------|
| Periods after June 30, 2006 | \$ 216,086 |
| Specific grant programs | 995,586 |
| | <u>\$ 1,211,672</u> |

During the year, temporarily restricted net assets were released for satisfaction of the following restrictions:

| | |
|-------------------------------------|-------------------|
| Scholarships | \$ 36,692 |
| Professional Development | 12,942 |
| Program Support | 157,141 |
| Student Support | 98 |
| Equipment | 7,289 |
| Total program restrictions released | <u>\$ 214,162</u> |
| Time restrictions released | <u>\$ 136,770</u> |

NOTE 16 – PERMANENTLY RESTRICTED NET ASSETS – COMPONENT UNIT

Permanently restricted net assets of \$2,788,384 at June 30, 2006 are restricted to investment in perpetuity; the income from which is expendable to support the Foundation's objectives.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 17 – RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS

The College recorded non-governmental gifts receipts of \$318,507 from the Foundation in non-operating revenues for the fiscal year ending June 30, 2006. These funds were used to support College programs such as scholarships. The Foundation reimburses the College for any purchases made by the College on behalf of the Foundation. The College provides office space and support services to the Foundation. The value of this office space and support services was approximately \$152,475 for the year ended June 30, 2006. Additionally, the Foundation paid the College a total of \$3,000 for administrative services during the year.

NOTE 18 – RISK MANAGEMENT

The College is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several state funds accumulate assets and the State assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The College and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The College obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 19 – OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2006 are summarized as follows:

| | <u>Salaries</u> | <u>Benefits</u> | <u>Scholarships</u> | <u>Utilities</u> | <u>Supplies and Other Services</u> | <u>Depreciation</u> | <u>Total</u> |
|--|----------------------|---------------------|---------------------|---------------------|--|---------------------|----------------------|
| Instruction | \$ 18,149,901 | \$ 4,111,255 | \$ 1,054 | \$ – | \$ 3,015,720 | \$ – | \$ 25,277,930 |
| Academic Support | 5,988,320 | 1,661,179 | 2,700 | – | 3,378,162 | – | 11,030,361 |
| Student Services | 6,170,611 | 1,434,746 | – | – | 1,558,533 | – | 9,163,890 |
| Operation and Maintenance of Plant | 1,512,821 | 418,600 | – | 1,451,819 | 3,983,585 | – | 7,366,825 |
| Institutional Support | 4,872,710 | 978,386 | – | – | 1,925,434 | – | 7,776,530 |
| Scholarships | – | – | 7,563,351 | – | – | – | 7,563,351 |
| Auxiliary Enterprises | 742,906 | 158,563 | – | 26,646 | 5,592,186 | – | 6,520,301 |
| Depreciation | – | – | – | – | – | 3,195,626 | 3,195,626 |
| Total Operating Expenses | <u>\$ 37,437,269</u> | <u>\$ 8,762,729</u> | <u>\$ 7,567,105</u> | <u>\$ 1,478,465</u> | <u>\$ 19,453,620</u> | <u>\$ 3,195,626</u> | <u>\$ 77,894,814</u> |

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 20 – STATEMENT OF ACTIVITIES

Midlands Technical College's transactions are reported in the Higher Education Fund, an enterprise fund, of the State of South Carolina. Following is information needed to

present the College's business-type activities in the State's government-wide Statement of Activities.

| | <u>2006</u> | <u>2005</u> |
|--------------------------------------|----------------------|----------------------|
| Charges for services | \$ 50,553,579 | \$ 50,951,190 |
| Operating grants and contributions | 9,554,446 | 7,747,616 |
| Capital grants and contributions | 1,908,858 | 2,345,381 |
| Less: expenses | <u>(78,211,521)</u> | <u>(76,383,487)</u> |
| Net program expense | <u>(16,194,638)</u> | <u>(15,339,300)</u> |
| General revenues: | | |
| Earnings on investments | - | - |
| Transfers: | | |
| State appropriations | 19,059,973 | 19,014,685 |
| State capital appropriations | - | - |
| Capital improvement bond proceeds | <u>-</u> | <u>-</u> |
| Total general revenues and transfers | <u>19,059,973</u> | <u>19,014,685</u> |
| Change in net assets | 2,865,335 | 3,675,385 |
| Net assets-beginning | <u>67,398,546</u> | <u>63,723,161</u> |
| Net assets-ending | <u>\$ 70,263,881</u> | <u>\$ 67,398,546</u> |

NOTE 21 – TRANSACTION WITH OTHER AGENCIES

The College had significant transactions with the State of South Carolina and various agencies. Services received at no cost from State agencies include maintenance of certain accounting records by the Comptroller General; check preparation, banking, bond trustee, and investment services from the State Treasurer; and legal services from the Attorney General. Other services received at no cost from the various offices of the State Budget and Control Board include pension plan administration, insurance plans administration, grant services, personnel management, assistance in the preparation of the State Budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

NOTE 22 – ENTERPRISE CAMPUS AUTHORITY BLENDED COMPONENT ACTIVITY

The College authorized \$485,300 to the Enterprise Campus Authority (the Authority) for the fiscal year end June 30, 2006. This was the balance of the proceeds of certain property and will be used to operate the Enterprise Campus Authority. For the fiscal year end the Authority incurred expenditures of \$30,727 and has an ending fund balance of \$488,361.

FEDERAL AWARDS SECTION



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MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED June 30, 2006

| | | <u>Major</u> | <u>Federal CFDA Number</u> | <u>Program Year</u> | <u>Program or Award Amount</u> | <u>Accrued Revenue at 7/1/2005</u> | <u>Receipts</u> | <u>Disbursements</u> | <u>Accrued Revenue at 6/30/06</u> |
|---|------------------------------------|--------------|------------------------------------|-------------------------|--|--|-----------------|----------------------|---|
| Student Financial Assistance Cluster | | | | | | | | | |
| U. S. Department of Education | | | | | | | | | |
| 9840213 | SEOG 2003 | * | 84.007A | 02/03 | \$ 263,249.00 | \$ (250.00) | \$ 250.00 | \$ - | \$ - |
| 9840214 | SEOG 2004 | * | 84.007A | 03/04 | 368,403.00 | 51,984.58 | (51,984.58) | - | - |
| 9840215 | SEOG 2005 | * | 84.007A | 04/05 | 380,982.00 | 2,970.45 | (2,970.45) | - | - |
| 9840216 | SEOG 2006 | * | 84.007A | 05/06 | 321,335.00 | - | (321,335.00) | 332,636.71 | 11,301.71 |
| | | | | | 1,333,969.00 | 54,705.03 | (376,040.03) | 332,636.71 | 11,301.71 |
| | | | | | | | | | |
| 9840100 | College Work Study Program | * | 84.033A | 05/06 | 45,042.00 | 26,020.54 | (71,062.54) | 45,042.00 | - |
| 9840120 | College Work Study Program | * | 84.003A | 05/06 | 405,375.00 | - | (333,797.99) | 347,334.46 | 13,536.47 |
| 9840125 | College Work Study Program | * | 84.003A | 04/05 | 39,797.25 | - | (39,797.25) | 39,797.25 | - |
| | | | | | 490,214.25 | 26,020.54 | (444,657.78) | 432,173.71 | 13,536.47 |
| | | | | | | | | | |
| 9840313 | PELL | * | 84.063 | 02/03 | 8,135,117.75 | (4,000.00) | 4,000.00 | - | - |
| 9840314 | PELL | * | 84.063 | 03/04 | 10,179,606.00 | (2,225.00) | 4,237.00 | (2,012.00) | - |
| 9840315 | PELL | * | 84.063 | 04/05 | 10,986,325.90 | 33,717.64 | (38,578.76) | 4,861.12 | - |
| 9840316 | PELL | * | 84.063 | 05/06 | 10,000,000.00 | - | (10,162,854.35) | 10,195,680.87 | 32,826.52 |
| | | | | | 39,301,049.65 | 27,492.64 | (10,193,196.11) | 10,198,529.99 | 32,826.52 |
| Total Student Financial Assistant Cluster | | | | | 41,125,232.90 | 108,218.21 | (11,013,893.92) | 10,963,340.41 | 57,664.70 |
| | | | | | | | | | |
| TRIO Cluster | | | | | | | | | |
| 9841105 | UpwardBound | | 84.047A | 04/05 | 287,703.00 | 80,609.98 | (140,248.90) | 59,638.92 | - |
| 9841106 | UpwardBound | | 84.047A | 05/06 | 287,703.00 | - | (111,455.79) | 184,892.67 | 73,436.88 |
| | | | | | 575,406.00 | 80,609.98 | (251,704.69) | 244,531.59 | 73,436.88 |
| | | | | | | | | | |
| 9841205 | Talent Search | | 84.044A | 04/05 | 345,561.00 | 41,736.51 | (133,376.03) | 92,214.93 | 575.41 |
| 9841206 | Talent Search | | 84.044A | 05/06 | 345,561.00 | - | (239,404.93) | 272,792.41 | 33,387.48 |
| | | | | | 691,122.00 | 41,736.51 | (372,780.96) | 365,007.34 | 33,962.89 |
| | | | | | | | | | |
| 9841215 | Student Support Services (SSS-AC) | | 84.042A | 04/05 | 260,181.00 | 18,997.63 | (75,117.51) | 56,119.88 | - |
| 9841216 | Student Support Services (SSS-AC) | | 84.042A | 05/06 | 267,986.00 | - | (194,673.65) | 213,652.35 | 18,978.70 |
| | | | | | 528,167.00 | 18,997.63 | (269,791.16) | 269,772.23 | 18,978.70 |
| | | | | | | | | | |
| 9841305 | Education Opportunity Center (EOC) | | 84.066A | 04/05 | 204,000.00 | 16,349.30 | (60,801.24) | 50,339.07 | 5,887.13 |
| 9841306 | Education Opportunity Center (EOC) | | 84.066A | 05/06 | 204,000.00 | - | (139,491.09) | 153,590.73 | 14,099.64 |
| | | | | | 408,000.00 | 16,349.30 | (200,292.33) | 203,929.80 | 19,986.77 |
| Total TRIO Cluster | | | | | 2,202,695.00 | 157,693.42 | (1,094,569.14) | 1,083,240.96 | 146,365.24 |

MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)

| | | | | | | | | |
|--|-------------------------------------|----------|-------|---------------|------------|-----------------|---------------|------------|
| Passed Through S.C. Department of Education | | | | | | | | |
| 9843003 | Perkins III (05VA409) | 84.048 | 05/06 | 618,588.00 | 192,492.83 | (605,583.74) | 588,954.26 | 175,863.35 |
| 9894004 | Learn & Serve America (05FA417) | 94.004 | 04/05 | 2,000.00 | 2,000.00 | (4,000.00) | 2,000.00 | - |
| 9842805 | Gear Up | 84.334A | 04/05 | 136,454.00 | 57,415.40 | (91,486.91) | 34,071.57 | 0.06 |
| Total passed Through S.C. Dept of Education | | | | 757,042.00 | 251,908.23 | (701,070.65) | 625,025.83 | 175,863.41 |
| Passed Through University of South Carolina | | | | | | | | |
| 9843360 | Teacher Quality (05-1059) | 84.336B | 04/05 | 124,931.00 | 44,867.44 | (60,858.48) | 22,363.91 | 6,372.87 |
| 9843366 | Teacher Quality (05-1059) | 84.336B | 05/06 | 85,000.00 | - | - | 5,169.39 | 5,169.39 |
| Total passed Through University of South Carolina | | | | 209,931.00 | 44,867.44 | (60,858.48) | 27,533.30 | 11,542.26 |
| Total U.S. Department of Education | | | | 44,294,900.90 | 562,687.30 | (12,870,392.19) | 12,699,140.50 | 391,435.61 |
| | | | | | | | | |
| U.S. Department of Labor | | | | | | | | |
| 9172616 | Creating Capacity in Health Science | 17.26 | 05/06 | 1,946,563.00 | - | (6,159.50) | 58,110.80 | 51,951.30 |
| Passed Through Central Midlands Council of Governments: | | | | | | | | |
| 9170522 | WIA-Youth (5Y694C1) | * 17.259 | 05/06 | 400,437.00 | 41,368.00 | (206,350.70) | 205,925.05 | 40,942.35 |
| Total passed Through Central Midlands Council of Governments | | | | 400,437.00 | 41,368.00 | (206,350.70) | 205,925.05 | 40,942.35 |
| Total U.S. Department of Labor | | | | 2,347,000.00 | 41,368.00 | (212,510.20) | 264,035.85 | 92,893.65 |
| | | | | | | | | |
| Department of Commerce | | | | | | | | |
| Passed Through South Carolina Technical College System | | | | | | | | |
| 9172670 | WIA-Incentive | 17.267 | 05/06 | 21,767.23 | - | - | - | - |
| Total Department of Commerce | | | | 21,767.23 | - | - | - | - |
| | | | | | | | | |
| National Science Foundation | | | | | | | | |
| Passed Through South Carolina State University | | | | | | | | |
| 9470005 | SCAMP (03-444583) | 47.064 | 04/05 | 25,000.00 | 12,952.96 | (22,625.52) | 11,416.16 | 1,743.60 |
| 9470006 | SCAMP (05-444677) | 47.064 | 05/06 | 32,500.00 | - | - | 11,400.00 | 11,400.00 |
| Total Passed Through South Carolina State University | | | | 57,500.00 | 12,952.96 | (22,625.52) | 22,816.16 | 13,143.60 |

MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)

| | | | | | | | | |
|--|--------|-------|------------------|---------------|--------------------|------------------|---------------|--|
| Passed Through University of South Carolina | | | | | | | | |
| 9470050 NSF-Peer Review (05-1057) | 47.076 | 05/06 | 32,972.00 | 27,571.46 | (27,571.46) | 3,879.18 | 3,879.18 | |
| Total Passed Through University of South Carolina | | | 32,972.00 | 27,571.46 | (27,571.46) | 3,879.18 | 3,879.18 | |
| Total National Science Foundation | | | 90,472.00 | 40,524.42 | (50,196.98) | 26,695.34 | 17,022.78 | |
| U.S. Department of Health and Human Services | | | | | | | | |
| Passed through S.C. Dept of Education | | | | | | | | |
| 9843200 T.E.A.C.H. | 93.575 | 05/06 | 122,000.00 | 24,430.43 | (152,426.81) | 158,787.50 | 30,791.12 | |
| Total U.S. Department of Health and Human Services | | | 122,000.00 | 24,430.43 | (152,426.81) | 158,787.50 | 30,791.12 | |
| TOTAL FEDERAL ASSISTANCE | | | \$ 46,876,140.13 | \$ 669,010.15 | \$ (13,285,526.18) | \$ 13,148,659.19 | \$ 532,143.16 | |

Guaranteed student loans awarded totaled \$13,658,392.71 at June 30, 2006.

* denotes major program.

MIDLANDS TECHNICAL COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2006

1. Description

Midlands Technical College (the "College") has adopted the Federal Office of Management and Budget's ("OMB") Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (as revised). For purposes of implementing OMB Circular A-133, federal grant awards were made susceptible to audit and are included in the Schedule of Expenditures of Federal Awards.

2. Summary of Significant Accounting Principles

Basis of Presentation

The financial activity shown in the Schedule of Expenditures of Federal Awards reflects amounts recorded by the College on the accrual basis, during its fiscal year July 1, 2005 through June 30, 2006.

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**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

The President and Members of the Commission
Midlands Technical College
Columbia, South Carolina

We have audited the basic financial statements of Midlands Technical College (the "College") as of and for the year ended June 30, 2006, and have issued our report thereon dated September 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the College's internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal controls over financial reporting. Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal controls over financial reporting that might be a material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal controls over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Commission, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Rebeck & Williamson, L.L.P.

September 8, 2006

DELOACH & WILLIAMSON, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Controls Over Compliance in Accordance with OMB Circular A-133

The President and Members of the Commission
Midlands Technical College
Columbia, South Carolina

Compliance

We have audited the compliance of Midlands Technical College (the "College") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Midlands Technical College's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Midlands Technical College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal controls over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal controls over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal controls over compliance in accordance with OMB Circular A-133.

Our consideration of the internal controls over compliance would not necessarily disclose all matters in the internal controls that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal controls over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Commission, management and the federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than those specified parties.

Rebeck & Williamson, L.L.P.

September 8, 2006

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results:

1. The auditor's report expresses an unqualified opinion on the financial statements of Midlands Technical College.
2. No material weaknesses relating to the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Midlands Technical College were disclosed during the audit.
4. No reportable conditions relating to the audit of major federal awards is reported in the Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Controls Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Midlands Technical College expresses an unqualified opinion.
6. Major federal programs:
 - Student Financial Aid Cluster
 - Federal Supplemental Education Opportunity Grant CFDA #84.007
 - Federal Work-study CFDA #84.033
 - Pell Grants CFDA #84.063
 - WIA Youth CFDA #17.259
7. The threshold for distinguishing between Type A and Type B Programs was \$394,460.
8. Midlands Technical College did not qualify as a low risk auditee.

Financial Statement Findings:

No findings or questioned costs.

Federal Awards Findings and Questioned Costs:

No findings or questioned costs.

Status of Prior Year Findings:

No findings or questioned costs were reported in the prior year.

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Independent Accountant's Report On State Lottery Tuition Assistance

The President and Members of the Commission
Midlands Technical College
Columbia, South Carolina

As a part of our examination of the financial statements of Midlands Technical College as of and for the year ended June 30, 2006, we reviewed the administrative procedures and internal controls related to the State Lottery Tuition Assistance Program to determine that the College administered the program in accordance with State Law and Policy 3-2-307 and Procedure 3-2-307.1 of the State Board for Technical and Comprehensive Education.

A random sample of 40 students was selected from the College's list of financial aid recipients.

We reviewed the student records maintained by the financial aid office of each applicant randomly selected to determine that they contained all necessary information and documentation to determine eligibility. We also determined that any lottery tuition assistance awarded did not exceed the remaining cost of tuition and academic fees for the applicable semester after first applying Pell grants, FSEOG, SC Need-Based grants, and other applicable grants.

For students included in our sample not receiving funds from the Lottery Tuition Assistance Program, we determined that the students were granted the right to appeal the decision by submitting a written request to the institution's Director of Financial Aid, and determined that the students' requests were handled in accordance with the institution's financial aid procedures as reflected in the student's financial aid record.

We traced amounts to the student account detail to determine that the awarded amounts were identifiably credited to the student's account.

We tested the population of Lottery Tuition Assistance Program recipients to determine that their award was in compliance with restrictions of receipt of this program and the Life Scholarship program.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

In our opinion, the State Lottery Tuition Assistance Program has been administered in accordance with State Law and Policy 3-2-307 and Procedure 3-2-307.1 of the State Board for Technical and Comprehensive Education.

This report is intended solely for the use of management and of the Midlands Technical College Area Commission and management of the State Board for Technical and Comprehensive Education and should not be used by anyone other than these specified parties.

Rebeck A. Williamson, C.C.P.

September 8, 2006

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STATISTICAL SECTION

This section of the Midlands Technical College (the “College”) Comprehensive Annual Financial Report presents information that will assist in understanding the information in the financial statements, note disclosures, and the required supplementary information about the overall financial health of the College.

CONTENTS

SCHEDULES

Financial Trends

1 - 4

The schedules in this section contain trend information to assist in understanding of how the College’s financial performance and well-being have changed over time.

Revenue Capacity

5 - 7

The schedules in this section contain information to assess the College’s most significant revenue sources.

Debt Capacity

8 - 9

The schedules in this section present information that assess the affordability of the College’s current levels of outstanding debt and the ability of the College to issue additional debt in future years.

Demographic and Economic Information

10 - 11

The schedules in this section offer demographic and economic indicators to assist in understanding the environment within which the College’s financial activities occur.

Operating Information

12 - 13

The schedules in this section contain service and infrastructure data to assist in understanding how the information in the College’s financial report relates to the services it provides and the activities it performs.

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FINANCIAL TRENDS



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Schedule 1

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF NET ASSETS BY COMPONENT
Fiscal Years 2002 - 2006

| | For the Year Ended June 30, | | | | |
|---|------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
| Invested in capital assets, net of related debt | \$ 41,863,617 | \$ 42,354,530 | \$ 40,695,692 | \$ 46,821,316 | \$ 42,557,763 |
| Restricted for Expendable: | | | | | |
| Capital projects | 22,734,164 | 20,334,790 | 18,473,541 | 12,085,610 | 11,787,687 |
| Debt service | 226,150 | 91,547 | 146,043 | 124,283 | 59,982 |
| Unrestricted ^a | <u>5,439,950</u> | <u>4,617,679</u> | <u>4,407,885</u> | <u>4,165,611</u> | <u>3,892,549</u> |
| Total College net assets | <u>\$ 70,263,881</u> | <u>\$ 67,398,546</u> | <u>\$ 63,723,161</u> | <u>\$ 63,196,820</u> | <u>\$ 58,297,981</u> |

Note: Due to reporting format and definition changes prescribed by GASB Statement 34 and 35, only fiscal years 2002-06 are available.

^a Beginning in 2006 the unrestricted net assets includes the Midlands Technical College Enterprise Campus Authority.

Source: Midlands Technical College Audited Financial Statements.

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF OTHER CHANGES IN NET ASSETS
Fiscal Years 2002 - 2006

| | For the Year Ended June 30, | | | | |
|---------------------------------------|-----------------------------|---------------------|---------------------|---------------------|----------------------|
| | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
| Income Before Other Revenues, | \$ 956,477 | \$ 568,392 | \$ 1,495,602 | \$ 129,313 | \$ 2,077,407 |
| Expenses, Gains or Loses | | | | | |
| State capital appropriations | 181,858 | — | — | 90,574 | 510,651 |
| Local capital appropriations | 1,727,000 | 1,693,000 | 1,661,000 | 2,886,859 | 800,000 |
| Proceeds from State Capital | | | | | |
| Improvement Bonds | — | — | — | 1,758,688 | 6,658,896 |
| Proceeds from State Institution Bonds | — | — | — | 33,405 | — |
| Other Capital Contributions | — | 652,380 | — | — | — |
| Total Increase in net assets | <u>\$ 2,865,335</u> | <u>\$ 3,297,984</u> | <u>\$ 3,156,602</u> | <u>\$ 4,898,839</u> | <u>\$ 10,046,954</u> |

Note: Due to reporting format and definition changes prescribed by GASB Statement 34 and 35, only fiscal years 2002-06 are available.
Source: Midlands Technical College Audited Financial Statements.

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF EXPENSES BY FUNCTION
Fiscal Years 2002 to 2006

| | For the Year Ended June 30, | | | | |
|--|-----------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2006 | 2005 | 2004 | 2003 | 2002 |
| Expenses: | | | | | |
| Instruction | \$ 25,277,930 | \$ 24,500,016 | \$ 23,860,773 | \$ 23,170,134 | \$ 22,270,481 |
| Academic Support | 11,030,361 | 11,602,944 | 8,441,232 | 9,078,844 | 7,428,017 |
| Student Services | 9,163,890 | 8,860,551 | 8,359,302 | 7,811,033 | 7,475,511 |
| Operation and Maintenance of Plant | 7,366,825 | 5,545,289 | 5,654,610 | 4,929,832 | 4,024,633 |
| Institutional Support | 7,776,530 | 7,837,847 | 8,075,989 | 8,439,172 | 8,235,131 |
| Scholarships | 7,563,351 | 8,266,923 | 7,605,148 | 2,509,298 | 341,915 |
| Auxiliary Enterprises | 6,520,301 | 6,174,328 | 5,943,317 | 2,800,393 | 2,594,131 |
| Depreciation | 3,195,626 | 3,114,946 | 2,731,849 | 2,801,639 | 2,625,318 |
| Total Operating Expenses | <u>77,894,814</u> | <u>75,902,844</u> | <u>70,672,220</u> | <u>61,540,345</u> | <u>59,995,137</u> |
| Interest on capital asset-related debt | 316,707 | 387,754 | 407,341 | 493,206 | 447,526 |
| Loss on disposal of capital assets | 11,098 | — | 11,453 | — | — |
| Total Expenses | <u>\$ 78,222,619</u> | <u>\$ 76,290,598</u> | <u>\$ 71,091,014</u> | <u>\$ 62,033,551</u> | <u>\$ 55,442,663</u> |

| | For the Year Ended June 30, | | | | |
|--|-----------------------------|---------------|---------------|---------------|---------------|
| | (percentage of total) | | | | |
| | 2006 | 2005 | 2004 | 2003 | 2002 |
| Expenses: | | | | | |
| Instruction | 32.3% | 32.1% | 33.6% | 37.4% | 40.2% |
| Academic Support | 14.1% | 15.2% | 11.9% | 14.6% | 13.4% |
| Student Services | 11.7% | 11.6% | 11.8% | 12.6% | 13.5% |
| Operation and Maintenance of Plant | 9.4% | 7.3% | 8.0% | 7.9% | 7.3% |
| Institutional Support | 9.9% | 10.3% | 11.4% | 13.6% | 14.9% |
| Scholarships | 9.7% | 10.8% | 10.7% | 4.0% | 0.6% |
| Auxiliary Enterprises | 8.3% | 8.1% | 8.4% | 4.5% | 4.7% |
| Depreciation | 4.1% | 4.1% | 3.8% | 4.5% | 4.7% |
| Total Operating Expenses | <u>99.6%</u> | <u>99.5%</u> | <u>99.4%</u> | <u>99.2%</u> | <u>99.2%</u> |
| Interest on capital asset-related debt | 0.4% | 0.5% | 0.6% | 0.8% | 0.8% |
| Loss on disposal of capital assets | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Total Expenses | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2006 are available. Certain classifications of expenses for fiscal years 2002-03 were changed to conform to subsequent reporting years for consistency.

Source: Midlands Technical College Audited Financial Statements

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF EXPENSES BY USE
Fiscal Years 2002 to 2006

For the Year Ended June 30,

| | 2006 | 2005 | 2004 | 2003 | 2002 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Expenses: | | | | | |
| Salaries | \$ 37,437,269 | \$ 35,475,529 | \$ 32,879,920 | \$ 31,727,924 | \$ 30,586,060 |
| Benefits | 8,762,729 | 8,346,803 | 8,270,566 | 7,830,747 | 7,106,237 |
| Scholarships | 7,567,105 | 8,266,923 | 7,605,148 | 2,509,298 | 341,915 |
| Utilities | 1,478,465 | 1,322,563 | 1,310,794 | 1,178,237 | 1,004,628 |
| Supplies and Other Services | 19,453,620 | 19,376,080 | 17,873,943 | 15,492,500 | 13,330,979 |
| Depreciation | 3,195,626 | 3,114,946 | 2,731,849 | 2,801,639 | 2,625,318 |
| Total Operating Expenses | <u>77,894,814</u> | <u>75,902,844</u> | <u>70,672,220</u> | <u>61,540,345</u> | <u>54,995,137</u> |
| Interest on capital asset-related debt | 316,707 | 387,754 | 407,341 | 493,206 | 447,526 |
| Loss on disposal of capital assets | 11,098 | — | 11,453 | — | — |
| Total Expenses | <u>\$ 78,222,619</u> | <u>\$ 76,290,598</u> | <u>\$ 71,091,014</u> | <u>\$ 62,033,551</u> | <u>\$ 55,442,663</u> |

For the Year Ended June 30,

(percentage of total)

| | 2006 | 2005 | 2004 | 2003 | 2002 |
|--|---------------|---------------|---------------|---------------|---------------|
| Expenses: | | | | | |
| Salaries | 47.9% | 46.5% | 46.3% | 51.1% | 55.2% |
| Benefits | 11.2% | 10.9% | 11.6% | 12.6% | 12.8% |
| Scholarships | 9.7% | 10.8% | 10.7% | 4.0% | 0.6% |
| Utilities | 1.9% | 1.7% | 1.8% | 1.9% | 1.8% |
| Supplies and Other Services | 24.9% | 25.4% | 25.1% | 25.0% | 24.0% |
| Depreciation | 4.1% | 4.1% | 3.8% | 4.5% | 4.7% |
| Total Operating Expenses | <u>99.6%</u> | <u>99.5%</u> | <u>99.4%</u> | <u>99.2%</u> | <u>99.2%</u> |
| Interest on capital asset-related debt | 0.4% | 0.5% | 0.6% | 0.8% | 0.8% |
| Loss on disposal of capital assets | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Total Expenses | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |

REVENUE CAPACITY



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MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF REVENUES BY SOURCE
Fiscal Years 2002 - 2006

| | For the Year Ended June 30, | | | | |
|---|-----------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2006 | 2005 | 2004 | 2003 | 2002 |
| Revenues | | | | | |
| Student tuition and fees (net of scholarship allowances) | \$ 21,991,171 | \$ 22,071,267 | \$ 21,447,627 | \$ 11,878,505 | \$ 10,666,408 |
| Federal grants and contracts | 13,125,843 | 14,198,013 | 13,244,727 | 12,559,529 | 11,091,433 |
| State grants and contracts | 9,263,216 | 7,708,835 | 6,916,114 | 6,537,431 | 1,190,540 |
| Nongovernmental grants and contracts | 265,726 | 996,733 | 219,232 | 55,238 | 45,165 |
| Sales and services | 65,595 | 66,857 | 55,172 | 61,154 | 66,350 |
| Auxiliary enterprises (net of book allowances) | 5,842,028 | 5,909,485 | 5,586,006 | 3,591,881 | 3,313,459 |
| Other operating revenues | 707,089 | 562,669 | 598,040 | 639,050 | 433,355 |
| Total Operating Revenues | <u>51,260,668</u> | <u>51,513,859</u> | <u>48,066,918</u> | <u>35,322,788</u> | <u>26,806,710</u> |
| State appropriations | 19,059,973 | 19,014,685 | 18,323,689 | 21,767,831 | 23,757,529 |
| Local appropriations | 7,628,088 | 5,915,254 | 5,758,676 | 5,484,775 | 6,418,590 |
| Investment income | 1,189,573 | 664,880 | 256,266 | 297,464 | 368,970 |
| Federal grants and contracts | 22,816 | 25,887 | 26,025 | 30,184 | 138,914 |
| State grants and contracts | 17,978 | 194,714 | 155,042 | 92,358 | 29,358 |
| State capital appropriations | 181,858 | — | — | 90,574 | 510,651 |
| Local capital appropriations | 1,727,000 | 1,693,000 | 1,661,000 | 2,886,859 | 800,000 |
| Capital contributions | — | 652,380 | — | — | — |
| Proceeds from state capital improvement bonds | — | — | — | 1,758,688 | — |
| Proceeds from state institution bonds | — | — | — | 33,405 | 6,658,896 |
| Gains on disposal of capital assets | — | 384,212 | — | 115,767 | — |
| Total nonoperating revenues | <u>29,827,286</u> | <u>28,545,012</u> | <u>26,180,698</u> | <u>32,557,905</u> | <u>38,682,908</u> |
| Total Revenues | <u>\$ 81,087,954</u> | <u>\$ 80,058,871</u> | <u>\$ 74,247,616</u> | <u>\$ 67,880,693</u> | <u>\$ 65,489,618</u> |

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-06 are available. Certain classifications of revenues for fiscal years 2002-03 were changed to conform to subsequent reporting years for consistency.

Source: Midlands Technical College Audited Financial Statements.

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF REVENUES BY SOURCE

Fiscal Years 2002 - 2006

(continued)

| | For the Year Ended June 30, | | | | |
|---|------------------------------|----------------|----------------|----------------|----------------|
| | <i>(percentage of total)</i> | | | | |
| | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
| Revenues | | | | | |
| Student tuition and fees (net of scholarship allowances) | 27.10% | 27.57% | 28.89% | 17.50% | 16.29% |
| Federal grants and contracts | 16.20% | 17.73% | 17.84% | 18.50% | 16.94% |
| State grants and contracts | 11.40% | 9.63% | 9.31% | 9.63% | 1.82% |
| Nongovernmental grants and contracts | 0.30% | 1.25% | 0.30% | 0.08% | 0.07% |
| Sales and services | 0.10% | 0.08% | 0.07% | 0.09% | 0.10% |
| Auxiliary enterprises (net of book allowances) | 7.20% | 7.38% | 7.52% | 5.29% | 5.06% |
| Other operating revenues | <u>0.90%</u> | <u>0.70%</u> | <u>0.81%</u> | <u>0.94%</u> | <u>0.66%</u> |
| Total Operating Revenues | <u>63.20%</u> | <u>64.34%</u> | <u>64.74%</u> | <u>52.04%</u> | <u>40.93%</u> |
| State appropriations | 23.50% | 23.75% | 24.68% | 32.07% | 36.28% |
| Local appropriations | 9.40% | 7.39% | 7.76% | 8.08% | 9.80% |
| Investment income | 1.50% | 0.83% | 0.35% | 0.44% | 0.56% |
| Federal grants and contracts | 0.00% | 0.03% | 0.04% | 0.04% | 0.21% |
| State grants and contracts | 0.00% | 0.24% | 0.21% | 0.14% | 0.04% |
| State capital appropriations | 0.20% | — | — | 0.13% | 0.78% |
| Local capital appropriations | 2.10% | 2.11% | 2.24% | 4.25% | 1.22% |
| Capital contributions | — | 0.81% | — | — | — |
| Proceeds from state capital improvement bonds | — | — | — | 2.59% | — |
| Proceeds from state institution bonds | — | — | — | 0.05% | 10.17% |
| Gains on disposal of capital assets | <u>—</u> | <u>0.48%</u> | <u>—</u> | <u>0.17%</u> | <u>—</u> |
| Total Nonoperating Revenues | <u>36.80%</u> | <u>35.66%</u> | <u>35.26%</u> | <u>47.96%</u> | <u>59.07%</u> |
| Total Revenues | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |

ANNUAL TUITION AND FEES
SOUTH CAROLINA PUBLIC TWO-YEAR INSTITUTIONS – IN STATE
Last Ten Academic Years

| | | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> |
|--|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Technical Colleges | | | | | | | | | | | |
| In-County | | | | | | | | | | | |
| Aiken | a | \$ 3,036 | \$ 2,836 | \$ 2,600 | \$ 2,192 | \$ 1,800 | \$ 1,300 | \$ 1,110 | \$ 1,010 | \$ 998 | \$ 998 |
| Central Carolina | a | \$ 2,700 | \$ 2,500 | \$ 2,500 | \$ 2,092 | \$ 1,700 | \$ 1,200 | \$ 1,038 | \$ 944 | \$ 848 | \$ 848 |
| Denmark | a | \$ 2,378 | \$ 2,278 | \$ 2,248 | \$ 2,152 | \$ 1,700 | \$ 1,080 | \$ 1,080 | \$ 1,080 | \$ 1,080 | \$ 1,080 |
| Florence-Darlington | a | \$ 3,026 | \$ 2,986 | \$ 2,976 | \$ 2,112 | \$ 1,720 | \$ 1,500 | \$ 1,320 | \$ 1,320 | \$ 1,320 | \$ 1,100 |
| Greenville | a | \$ 3,000 | \$ 2,900 | \$ 2,600 | \$ 2,142 | \$ 1,750 | \$ 1,500 | \$ 1,300 | \$ 1,100 | \$ 1,080 | \$ 1,080 |
| Horry-Georgetown | a | \$ 2,800 | \$ 2,680 | \$ 2,394 | \$ 2,136 | \$ 1,744 | \$ 1,363 | \$ 1,235 | \$ 1,115 | \$ 1,115 | \$ 1,115 |
| Midlands | | \$ 3,004 | \$ 2,908 | \$ 2,836 | \$ 2,192 | \$ 1,800 | \$ 1,396 | \$ 1,300 | \$ 1,202 | \$ 1,110 | \$ 1,110 |
| Northeastern TC | a | \$ 2,526 | \$ 2,346 | \$ 2,346 | \$ 2,092 | \$ 1,705 | \$ 1,225 | \$ 1,100 | \$ 1,000 | \$ 1,000 | \$ 1,000 |
| Orangeburg-Calhoun | a | \$ 2,640 | \$ 2,640 | \$ 2,496 | \$ 1,992 | \$ 1,700 | \$ 1,296 | \$ 1,104 | \$ 1,008 | \$ 1,008 | \$ 1,008 |
| Piedmont | a | \$ 2,860 | \$ 2,740 | \$ 2,596 | \$ 2,350 | \$ 1,760 | \$ 1,300 | \$ 1,224 | \$ 1,120 | \$ 1,120 | \$ 1,120 |
| Spartanburg | a | \$ 2,902 | \$ 2,806 | \$ 2,660 | \$ 2,132 | \$ 1,740 | \$ 1,400 | \$ 1,300 | \$ 1,200 | \$ 1,100 | \$ 1,100 |
| TC of the Lowcountry | a | \$ 3,050 | \$ 2,900 | \$ 2,600 | \$ 2,142 | \$ 1,700 | \$ 1,250 | \$ 1,150 | \$ 1,000 | \$ 1,000 | \$ 1,000 |
| Tri County | a | \$ 2,738 | \$ 2,546 | \$ 2,450 | \$ 2,022 | \$ 1,800 | \$ 1,200 | \$ 1,100 | \$ 1,100 | \$ 900 | \$ 900 |
| Trident | a | \$ 2,950 | \$ 2,688 | \$ 2,446 | \$ 2,092 | \$ 1,700 | \$ 1,300 | \$ 1,140 | \$ 1,100 | \$ 1,064 | \$ 1,064 |
| Williamsburg | a | \$ 2,692 | \$ 2,692 | \$ 2,112 | \$ 2,112 | \$ 1,700 | \$ 1,100 | \$ 840 | \$ 840 | \$ 840 | \$ 840 |
| York | a | \$ 3,036 | \$ 2,886 | \$ 2,736 | \$ 2,108 | \$ 1,712 | \$ 1,236 | \$ 1,140 | \$ 1,008 | \$ 936 | \$ 936 |
| Two-Year Regional Campuses of USC | | | | | | | | | | | |
| In-State | | | | | | | | | | | |
| USC-Lancaster | a | \$ 4,324 | \$ 4,058 | \$ 3,656 | \$ 3,080 | \$ 2,410 | \$ 2,200 | \$ 2,100 | \$ 2,040 | \$ 1,988 | \$ 1,988 |
| USC-Salkehatchie | a | \$ 4,324 | \$ 4,058 | \$ 3,656 | \$ 3,080 | \$ 2,410 | \$ 2,200 | \$ 2,100 | \$ 2,040 | \$ 1,988 | \$ 1,988 |
| USC-Sumter | a | \$ 4,324 | \$ 4,058 | \$ 3,656 | \$ 3,080 | \$ 2,410 | \$ 2,200 | \$ 2,100 | \$ 2,040 | \$ 1,988 | \$ 1,988 |
| USC-Union | a | \$ 4,324 | \$ 4,058 | \$ 3,656 | \$ 3,080 | \$ 2,410 | \$ 2,200 | \$ 2,100 | \$ 2,040 | \$ 1,988 | \$ 1,988 |

Source: South Carolina Commission on Higher Education

a Data not available

Schedule 6 (continued)

ANNUAL TUITION AND FEES
SOUTH CAROLINA PUBLIC TWO-YEAR INSTITUTIONS – OUT OF STATE
Last Ten Academic Years
(continued)

| | | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> |
|--|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Technical Colleges | | | | | | | | | | | |
| Out of State | | | | | | | | | | | |
| Aiken | a | \$ 8,518 | \$ 7,942 | \$ 7,300 | \$ 4,124 | \$ 5,060 | \$ 3,740 | \$ 3,270 | \$ 3,325 | \$ 3,258 | |
| Central Carolina | a | \$ 4,800 | \$ 5,118 | \$ 5,188 | \$ 4,604 | \$ 3,844 | \$ 3,344 | \$ 2,892 | \$ 2,892 | \$ 1,516 | |
| Denmark | a | \$ 4,466 | \$ 4,466 | \$ 4,036 | \$ 4,144 | \$ 3,400 | \$ 2,160 | \$ 2,160 | \$ 2,160 | \$ 2,160 | |
| Florence-Darlington | a | \$ 5,122 | \$ 5,082 | \$ 5,072 | \$ 4,208 | \$ 3,720 | \$ 3,500 | \$ 3,070 | \$ 1,535 | \$ 1,496 | |
| Greenville | a | \$ 6,110 | \$ 5,900 | \$ 5,550 | \$ 4,542 | \$ 3,800 | \$ 3,500 | \$ 3,250 | \$ 3,100 | \$ 3,050 | |
| Horry-Georgetown | a | \$ 4,408 | \$ 4,288 | \$ 4,248 | \$ 4,248 | \$ 3,788 | \$ 2,655 | \$ 2,897 | \$ 2,843 | \$ 2,808 | |
| Midlands | | \$ 8,812 | \$ 8,524 | \$ 8,308 | \$ 6,436 | \$ 5,200 | \$ 3,988 | \$ 3,700 | \$ 3,506 | \$ 3,312 | |
| Northeastern TC | a | \$ 4,110 | \$ 3,936 | \$ 3,936 | \$ 3,700 | \$ 3,365 | \$ 3,386 | \$ 3,300 | \$ 3,144 | \$ 3,144 | |
| Orangeburg-Calhoun | a | \$ 4,464 | \$ 4,464 | \$ 4,464 | \$ 3,940 | \$ 3,624 | \$ 3,408 | \$ 3,336 | \$ 3,336 | \$ 3,336 | |
| Piedmont | a | \$ 4,468 | \$ 4,372 | \$ 4,252 | \$ 3,748 | \$ 3,210 | \$ 2,200 | \$ 1,962 | \$ 1,962 | \$ 2,973 | |
| Spartanburg | a | \$ 5,490 | \$ 5,370 | \$ 5,200 | \$ 4,332 | \$ 3,940 | \$ 3,600 | \$ 3,240 | \$ 3,240 | \$ 3,050 | |
| TC of the Lowcountry | a | \$ 5,932 | \$ 3,860 | \$ 3,860 | \$ 3,860 | \$ 3,710 | \$ 3,710 | \$ 3,710 | \$ 1,500 | \$ 1,500 | |
| Tri County | a | \$ 6,084 | \$ 5,916 | \$ 5,820 | \$ 5,510 | \$ 5,480 | \$ 3,864 | \$ 3,512 | \$ 3,512 | \$ 3,218 | |
| Trident | a | \$ 5,586 | \$ 5,274 | \$ 4,976 | \$ 4,492 | \$ 2,880 | \$ 3,672 | \$ 3,310 | \$ 3,310 | \$ 3,202 | |
| Williamsburg | a | \$ 4,990 | \$ 4,990 | \$ 4,968 | \$ 3,912 | \$ 2,880 | \$ 2,480 | \$ 2,640 | \$ 3,630 | \$ 3,630 | |
| York | a | \$ 6,664 | \$ 6,336 | \$ 6,016 | \$ 5,204 | \$ 5,100 | \$ 5,016 | \$ 3,072 | \$ 3,094 | \$ 3,084 | |
| Two-Year Regional Campuses of USC | | | | | | | | | | | |
| Out of State | | | | | | | | | | | |
| USC-Lancaster | a | \$ 10,384 | \$ 9,720 | \$ 8,754 | \$ 7,328 | \$ 5,730 | \$ 5,452 | \$ 5,198 | \$ 4,950 | \$ 4,834 | |
| USC-Salkehatchie | a | \$ 10,384 | \$ 9,720 | \$ 8,754 | \$ 7,328 | \$ 5,730 | \$ 5,452 | \$ 5,198 | \$ 4,950 | \$ 4,834 | |
| USC-Sumter | a | \$ 10,384 | \$ 9,720 | \$ 8,754 | \$ 7,328 | \$ 5,730 | \$ 5,452 | \$ 5,198 | \$ 4,950 | \$ 4,834 | |
| USC-Union | a | \$ 10,384 | \$ 9,720 | \$ 8,754 | \$ 7,328 | \$ 5,730 | \$ 5,452 | \$ 5,198 | \$ 4,950 | \$ 4,834 | |

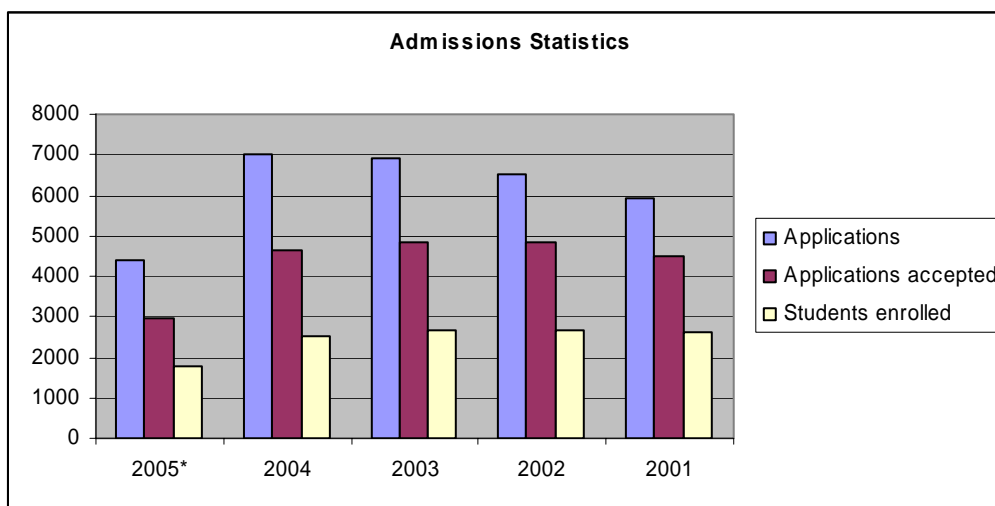
Source: South Carolina Commission on Higher Education
a Data not available

MIDLANDS TECHNICAL COLLEGE

ADMISSIONS, ENROLLMENT AND DEGREE STATISTICS Last Ten Academic Years

| | Academic Year Beginning in Fall | | | | | | | | | |
|--|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2005* | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 |
| Admissions – Freshman | | | | | | | | | | |
| Applications | 7,009 | 6,995 | 6,925 | 6,516 | 5,942 | a | a | a | a | a |
| Applications accepted | 4,554 | 4,626 | 4,843 | 4,832 | 4,504 | a | a | a | a | a |
| Students enrolled | 2,446 | 2,534 | 2,671 | 2,654 | 2,597 | a | a | a | a | a |
| Accepted as a percentage of applications | 65.0% | 66.1% | 69.9% | 74.2% | 75.8% | a | a | a | a | a |
| Enrolled as a percentage of accepted | 53.7% | 54.8% | 55.2% | 54.9% | 57.7% | a | a | a | a | a |
| SAT scores – Total | 961 | 947 | 929 | 934 | b | 900 | 486 | 483 | 884 | 892 |
| Math | 481 | 473 | 466 | 465 | N/A | 451 | 441 | 440 | 440 | 442 |
| Verbal | 480 | 474 | 463 | 469 | N/A | 449 | 45 | 43 | 444 | 450 |
| SAT Average SAT score | 993 | 986 | 989 | 981 | 974 | 966 | 954 | 951 | 953 | 954 |
| Math | 499 | 495 | 496 | 493 | 488 | 482 | 475 | 473 | 474 | 474 |
| Verbal | 494 | 491 | 493 | 488 | 486 | 484 | 479 | 478 | 479 | 480 |
| National Average SAT score | 1028 | 1026 | 1026 | 1020 | 1020 | 1019 | 1016 | 1017 | 1016 | 1013 |
| Math | 520 | 518 | 519 | 516 | 514 | 514 | 511 | 512 | 511 | 508 |
| Verbal | 508 | 508 | 507 | 504 | 506 | 505 | 505 | 505 | 505 | 505 |

* Available after summer concludes



Notes:

Midlands Technical College has an open enrollment policy.

All figures are unduplicated unless otherwise stated.

SAT Scores represent the average of the maximum scores for each student

a Admissions data for 1996-2000 is not available due to system conversion

b Data not available

Source for SAT scores: College Board national and state reports

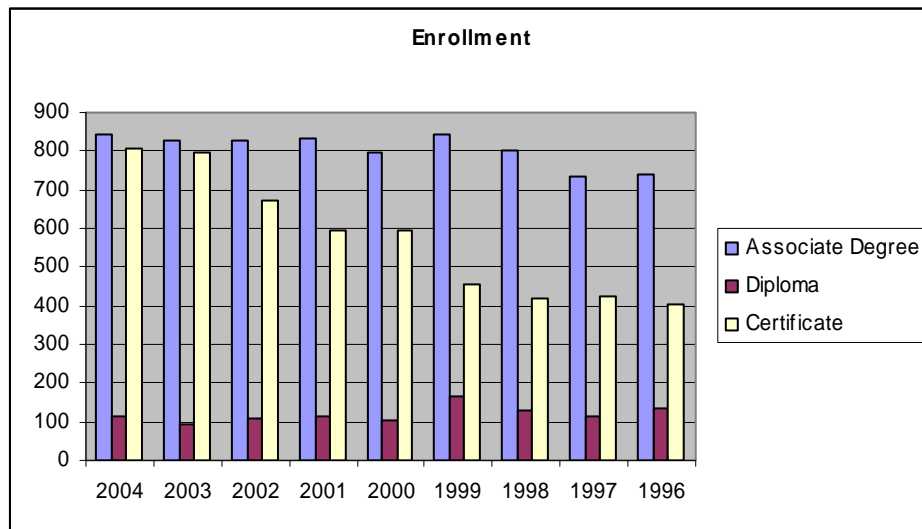
MIDLANDS TECHNICAL COLLEGE

ADMISSIONS, ENROLLMENT AND DEGREE STATISTICS

Last Ten Academic Years

(continued)

| Enrollment (Credit Programs Only) | Academic Year Beginning in Fall | | | | | | | | | |
|---|---------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 |
| Undergraduate FTE | b | 7,807 | 7,710 | 7,544 | 7,165 | 6,832 | 6,837 | 6,953 | 6,652 | 6,898 |
| Undergraduate headcount | b | 15,460 | 15,317 | 15,002 | 14,578 | 13,998 | 14,145 | 14,434 | 13,800 | 14,069 |
| Percentage of men | b | 37% | 38% | 39% | 40% | 41% | 41% | 41% | 40% | 40% |
| Percentage of women | b | 63% | 62% | 61% | 60% | 59% | 59% | 59% | 60% | 60% |
| Percentage of African-American | b | 37% | 37% | 36% | 34% | 32% | 33% | 33% | 33% | 32% |
| Percentage of Hispanic | b | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 1% |
| Percentage of white | b | 54% | 55% | 53% | 53% | 53% | 58% | 59% | 59% | 61% |
| Percentage of other | b | 7% | 7% | 9% | 11% | 13% | 7% | 7% | 7% | 5% |
| (Based on IPEDS terms beginning Summer, Fall, Spring) | | | | | | | | | | |
| Degrees Granted | | | | | | | | | | |
| Associate Degree | b | 844 | 828 | 827 | 831 | 796 | 841 | 800 | 735 | 741 |
| Diploma | b | 113 | 93 | 110 | 115 | 101 | 166 | 131 | 112 | 132 |
| Certificate | b | 805 | 799 | 675 | 594 | 594 | 456 | 421 | 426 | 406 |
| Total Awarded | b | 1,762 | 1,720 | 1,612 | 1,540 | 1,491 | 1,463 | 1,352 | 1,273 | 1,279 |



DEBT CAPACITY



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MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF RATIOS OF OUTSTANDING DEBT

Last Ten Fiscal Years

(dollars in thousands, except for per student)

| | For the Year Ended June 30, | | | | |
|-------------------------------------|-----------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2006 | 2005 | 2004 | 2003 | 2002 |
| General obligation bonds | \$ 8,330 | \$ 8,725 | \$ 9,105 | \$ 9,460 | \$ 7,985 |
| Total outstanding debt | <u>\$ 8,330</u> | <u>\$ 8,725</u> | <u>\$ 9,105</u> | <u>\$ 9,460</u> | <u>\$ 7,985</u> |
| Full-time equivalent students | | | | | |
| Credit | 7,741 | 7,539 | 7,786 | 6,957 | 6,388 |
| Continuing Education | <u>626</u> | <u>658</u> | <u>679</u> | <u>712</u> | <u>744</u> |
| Total enrollment | <u>8,367</u> | <u>8,197</u> | <u>8,465</u> | <u>7,669</u> | <u>7,132</u> |
| Outstanding debt per student | \$ 996 | \$ 1,064 | \$ 1,076 | \$ 1,234 | \$ 1,120 |

*Note: Ratios calculated using full-time equivalent student enrollment data for the last ten academic years (page 75).
Other debt on the Statement of Net Assets includes Notes Payable which is not material to this presentation.
Continuing Education contact hours converted to full-time equivalent enrollment.*

*Source: Midlands Technical College Comprehensive Annual Financial Reports
Formula Computation Allocation Worksheet provided by the System Office for years presented.*

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF RATIOS OF OUTSTANDING DEBT

Last Ten Fiscal Years

(dollars in thousands, except for per student)

(continued)

| | For the Year Ended June 30, | | | | |
|-------------------------------------|-----------------------------|-----------------|-----------------|-----------------|-----------------|
| | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> |
| General obligation bonds | \$ 8,360 | \$ 8,720 | \$ 9,050 | \$ 9,350 | \$ 4,515 |
| Total outstanding debt | <u>\$ 8,360</u> | <u>\$ 8,720</u> | <u>\$ 9,050</u> | <u>\$ 9,350</u> | <u>\$ 4,515</u> |
| Full-time equivalent students | | | | | |
| Credit | 6,118 | 6,844 | 6,953 | 6,652 | 6,898 |
| Continuing Education | <u>772</u> | <u>837</u> | <u>826</u> | <u>815</u> | <u>760</u> |
| Total enrollment | <u>6,890</u> | <u>7,681</u> | <u>7,779</u> | <u>7,467</u> | <u>7,658</u> |
| Outstanding debt per student | \$ 1,213 | \$ 1,135 | \$ 1,163 | \$ 1,252 | \$ 590 |

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF BOND COVERAGE
Last Ten Fiscal Years

General Obligation Bonds

| <u>Fiscal Year Ended June 30,</u> | <u>Budgeted Capital Fees</u> | <u>Debt Service Requirement</u> | | | | <u>Coverage Ratio</u> |
|---------------------------------------|----------------------------------|---|------------------|-----------------|--------------|---------------------------|
| | | <u>Total Available for Debt Service</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | |
| 2006 | \$ 1,800,000 ^a | \$ 1,800,000 | \$ 395,000 | \$ 370,968 | \$ 765,968 | 2.35 |
| 2005 | 1,493,820 | 1,493,820 | 380,000 | 385,393 | 765,393 | 1.95 |
| 2004 | 1,132,000 | 1,132,000 | 355,000 | 402,703 | 757,703 | 1.49 |
| 2003 | 1,132,000 | 1,132,000 | 215,000 | 486,370 | 701,370 | 1.61 |
| 2002 | 1,132,000 | 1,132,000 | 375,000 | 440,211 | 815,211 | 1.39 |
| 2001 | 1,281,033 | 1,281,033 | 360,000 | 460,688 | 820,688 | 1.56 |
| 2000 | 1,738,500 | 1,738,500 | 330,000 | 479,737 | 809,737 | 2.15 |
| 1999 | 1,236,968 | 1,236,968 | 300,000 | 498,063 | 798,063 | 1.55 |
| 1998 | 1,781,990 | 1,781,990 | 165,000 | 254,088 | 419,088 | 4.25 |
| 1997 | 1,055,256 | 1,055,256 | 155,000 | 264,888 | 419,888 | 2.51 |

Note:

^a For the fiscal year ended June 30, 2006 the additional receipts designated as tuition fees will be used to establish the legal debt service requirement for the future bond issue of \$10 million for Richland and Lexington counties share of the debt service on major initiatives.

Source: Midlands Technical College Finance Office

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DEMOGRAPHIC AND ECONOMIC INFORMATION

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MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years

| | Population in College's Service Area^a | | | Per Capita Personal Income | | | Unemployment Rate | | | |
|------|---|-------------------------|-------------------------|-----------------------------------|-------------------------|-------------------------|------------------------------------|-------------------------------------|-------------------------------------|--|
| | <u>Richland</u> | <u>Lexington</u> | <u>Fairfield</u> | <u>Richland</u> | <u>Lexington</u> | <u>Fairfield</u> | <u>Richland^d</u> | <u>Lexington^d</u> | <u>Fairfield^d</u> | <u>South Carolina^e</u> |
| 2005 | 340,078 | 235,272 | 24,047 | b | b | b | b | b | b | b |
| 2004 | 335,597 | 230,861 | 24,144 | 30,190 | 31,282 | 22,524 | 6.00% | 4.90% | 8.00% | 6.90% ^f |
| 2003 | 331,858 | 226,984 | 23,827 | 28,628 | 29,633 | 21,414 | 5.60% | 4.50% | 10.60% | 6.80% |
| 2002 | 327,830 | 222,723 | 23,884 | 28,166 | 29,034 | 21,024 | 4.80% | 4.00% | 8.60% | 5.40% |
| 2001 | 323,883 | 220,037 | 23,688 | 27,784 | 28,641 | 20,689 | 4.30% | 3.70% | 8.70% | 5.40% |
| 2000 | 321,403 | 216,891 | 23,547 | 27,110 | 28,901 | 20,045 | 3.10% | 2.60% | 4.80% | 3.90% |
| 1999 | 307,279 | 208,972 | 22,573 | 25,577 | 27,286 | 19,379 | 2.50% | 1.80% | 5.10% | 4.50% |
| 1998 | 304,891 | 205,044 | 22,415 | 25,477 | 24,973 | 18,307 | 2.10% | 1.70% | 7.80% | 4.50% |
| 1997 | 301,629 | 200,468 | 22,338 | 23,664 | 23,602 | 17,403 | 3.00% | 2.20% | 7.60% | 4.50% |
| 1996 | 300,241 | 195,366 | 22,260 | 22,937 | 22,452 | 16,305 | 3.70% | 3.20% | 8.90% | 6.00% |
| 1995 | 299,375 | 191,325 | 22,392 | 21,524 | 21,600 | 15,717 | 3.50% | 3.00% | 8.10% | 5.10% |

Sources:

^a Office of Research and Statistics, South Carolina State Budget and Control Board Annual Population Estimates for Counties of South Carolina

^b Data not available

^c Bureau of Economic Analysis

^d US Department of Labor Bureau of Labor Statistics County Data

^e US Census Bureau Statistical Abstract of the United States

^f Labor Market Info Online – Labor Force not seasonally adjusted data

MIDLANDS TECHNICAL COLLEGE

PRINCIPAL EMPLOYERS BY COUNTY
June 30, 2006

| County | | |
|--|------------------------------------|------------------------------------|
| Richland | Lexington | Fairfield |
| City of Columbia | Columbia Farms, Inc. | Ben Arnold-Sunbelt Beverage |
| Department of Defense | Lexington County | Fairfield County Council |
| Kilgore Group, Inc. | Lexington County Health Services | Fairfield Memorial Hospital |
| Palmetto GBA, LLC | Lexington County School District 1 | Fairfield Middle School |
| Palmetto Health Alliance, Inc. | Lexington County School District 2 | Lang Mekra North America, LLC |
| Richland County School District 1 | Lexington County School District 5 | Perry Ellis Menswear, LLC |
| Richland County School District 2 | Michelin Tire Corporation | Plastech Exterior Systems, Inc. |
| South Carolina Department of Corrections | U.S. Food Service | South Carolina Electric & Gas |
| South Carolina Department of Mental Health | United Parcel Service | Southern Medical of Ridgeway, Inc. |
| University of South Carolina | Wal-Mart Associates, Inc. | Wal-Mart Associates, Inc. |

Note: Due to confidentiality issues, the number of employees for each company is not available. The employers are listed alphabetically and not in order of size.

Source: South Carolina Employment Security Commission

OPERATING INFORMATION

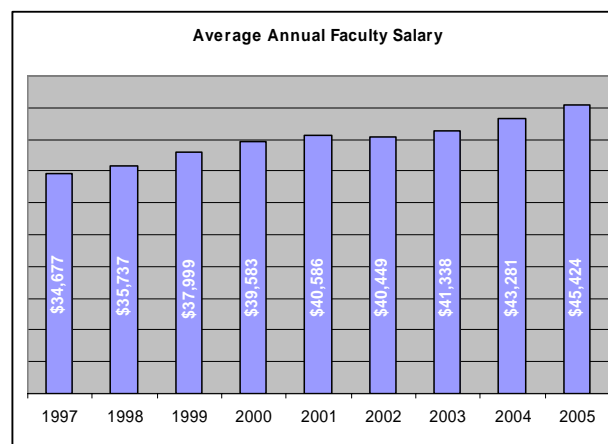
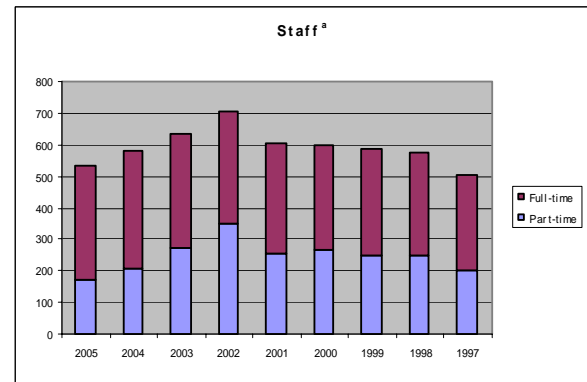
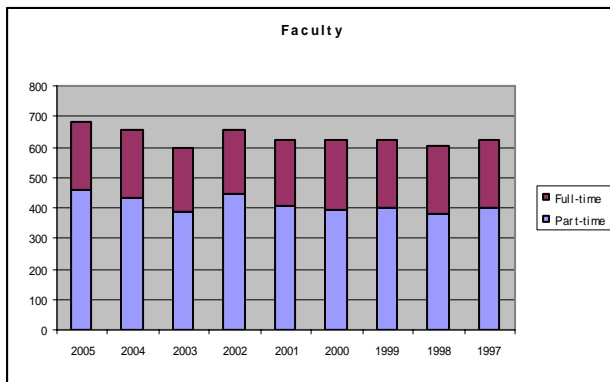


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MIDLANDS TECHNICAL COLLEGE

FACULTY AND STAFF STATISTICS Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | |
|-------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
| Faculty | | | | | | | | | |
| Part-time | 458 | 435 | 387 | 444 | 408 | 394 | 400 | 383 | 403 |
| Full-time | 223 | 221 | 212 | 214 | 213 | 228 | 223 | 218 | 219 |
| Staff ^a | | | | | | | | | |
| Part-time | 173 | 208 | 275 | 352 | 256 | 268 | 246 | 251 | 201 |
| Full-time | 358 | 372 | 360 | 355 | 350 | 333 | 340 | 323 | 304 |
| Total Employees | 1212 | 1236 | 1234 | 1365 | 1227 | 1223 | 1209 | 1175 | 1127 |
| Part-time | 631 | 643 | 662 | 796 | 664 | 662 | 646 | 634 | 604 |
| Full-time | 581 | 593 | 572 | 569 | 563 | 561 | 563 | 541 | 523 |
| Average Annual Faculty Salary | \$ 45,424 | \$ 43,281 | \$ 41,338 | \$ 40,449 | \$ 40,586 | \$ 39,583 | \$ 37,999 | \$ 35,737 | \$ 34,677 |



Source: Integrated Postsecondary Education Data System (IPEDS) data for years indicated

Note: ^aIncludes administrators

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF CAPITAL ASSET INFORMATION BY FUNCTION

| | <u>2005^b</u> | <u>2004</u> | <u>2003^a</u> | <u>2002</u> |
|----------------------------------|-------------------------|-------------|-------------------------|-------------|
| Instruction | | | | |
| Assignable Square Feet | 331,243 | 331,879 | 331,879 | 331,879 |
| Percent of Total | 47.93% | 48.01% | 48.01% | 47.58% |
| Public Service | | | | |
| Assignable Square Feet | 575 | 575 | 575 | 575 |
| Percent of Total | 0.08% | 0.08% | 0.08% | 0.09% |
| Academic Support | | | | |
| Assignable Square Feet | 28,209 | 28,209 | 28,209 | 28,209 |
| Percent of Total | 4.08% | 4.08% | 4.08% | 4.44% |
| Student Services | | | | |
| Assignable Square Feet | 41,159 | 41,159 | 41,159 | 41,159 |
| Percent of Total | 5.96% | 5.95% | 5.95% | 6.20% |
| Institutional Support | | | | |
| Assignable Square Feet | 135,340 | 135,340 | 135,340 | 135,340 |
| Percent of Total | 19.59% | 19.58% | 19.58% | 20.89% |
| Plant Operations and Maintenance | | | | |
| Assignable Square Feet | 112,839 | 112,405 | 112,405 | 112,405 |
| Percent of Total | 16.33% | 16.26% | 16.26% | 14.97% |
| Auxiliary Enterprises | | | | |
| Assignable Square Feet | 34,712 | 34,712 | 34,712 | 34,712 |
| Percent of Total | 5.02% | 5.02% | 5.02% | 4.84% |
| Parking Facilities | | | | |
| Employee Spaces | 590 | 649 | 621 | 621 |
| Student Spaces | 3,447 | 3,447 | 3,398 | 2,948 |
| Other spaces | <u>228</u> | <u>236</u> | <u>227</u> | <u>214</u> |
| Parking Spaces Available | 4,265 | 4,332 | 4,246 | 3,783 |

Source: South Carolina Commission on Higher Education

Note:

2006 data not available

^a Northeast Campus made available for use

^b Latest available data

OTHER INFORMATION



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College Accreditation as of June 30, 2006

Midlands Technical College is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools (1866 Southern Lane, Decatur, Georgia 30033-4097; telephone number 404-679-4501) to award associate degrees, diplomas and certificates.

Program Approval and Accreditations

The Legal Assistant/Paralegal and Court Reporting programs are approved respectively by:

- American Bar Association
- National Court Reporters Association

Specific programs are accredited by:

- American Society of Health-System Pharmacists
- Association of Collegiate Business Schools and Programs
- Commission on Dental Accreditation of the American Dental Association
- Commission on Accreditation in Physical Therapy Education
- Council on Accreditation of Allied Health Education Programs
 - Council on Education of the American Health Information Management Association
 - Committee on Accreditation for Respiratory Care
 - Accreditation Review Committee on Education in Surgical Technology
 - American Association of Medical Assistants
- National Council for Standards in Human Services Education
- Joint Review Committee on Educational Programs in Nuclear Medicine Technology
- Joint Review Committee on Education in Radiologic Technology
- National Accrediting Agency for Clinical Laboratory Sciences
- National Automotive Technicians Education Foundation
- National League for Nursing Accrediting Commission
- Printing Industries of America
- South Carolina Board of Nursing
- Technology Accreditation Commission of the Accreditation Board for Engineering and Technology; Architectural, Civil and Electronics Engineering Technology

Statement of Nondiscrimination

Midlands Technical College does not discriminate in admissions or employment on the basis of race, sex, national origin or ethnic group, color, age, religion, disability or military service in its administration of educational policies, programs and services; its admissions policies; scholarship and loan programs; or employment. In compliance with Title IX of the Education Amendments of 1972, section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1992, Midlands Technical College offers access and equal opportunity in its admissions policies, academic programs and services, and employment of disabled individuals in that no otherwise qualified person will be denied these provisions on the basis of a disability. Dr. Ronald Rhames has been designated to coordinate compliance with the nondiscrimination requirements contained in section 35.107 of the Department of Justice regulations, section 504 and Title IX regulation. Information concerning the provisions of the Americans with Disabilities Act and the rights and privileges thereunder are available from Dr. Rhames in his position as ADA/EEOC coordinator. He can be reached at: Midlands Technical College, P.O. Box 2408, Columbia, SC 29202, (803) 822-3261.

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